

**FBIS****DAILY REPORT**  
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ZHAO ZIYANG MEETS GATT DIRECTOR GENERAL

OW101522 Beijing XINHUA in English 1510 GMT 10 Jan 86

[Text] Beijing, January 10 (XINHUA) -- Chinese Premier Zhao Ziyang said here today, China hopes to resume its membership in the General Agreement of Tariff and Trade (GATT), an international treaty reducing tariffs between member nations. This follows China's policy of opening to the outside world, Zhao said at a meeting with Arthur Dunkel, director general of the GATT, here this afternoon. China has not participated in the GATT since 1950.

Zhao thanked Dunkel and the Secretariat of the GATT for their efforts to promote the resumption of China's GATT membership. He said that China's open policy cannot be reversed, and restoration of China's GATT membership will lead to expanded imports as well as exports. China's economic reforms will reduce differences between China and most other GATT members in prices, currency values and foreign trade systems and practices, Zhao added.

In addition to working toward restoration of China's membership in the GATT, Dunkel has been exploring the possibilities for China's participation in a new round of multilateral trade negotiations, trade experts here said. Dunkel, who also has been studying China's economic reforms, came at the invitation of Zheng Tuobin, Chinese minister of foreign economic relations and trade. He will leave Beijing tomorrow for GATT headquarters in Vienna.

Wu Xueqian Meets Dunkel

OW111224 Beijing XINHUA in English 1217 GMT 11 Jan 86

[Text] Beijing, January 11 (XINHUA) -- Chinese Foreign Minister Wu Xueqian met Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (GATT), here today. Wu, also a state councillor, expressed his appreciation of GATT's 1971 decision to take away Taiwan's seat as a GATT observer following a United Nations resolution restoring China's seat at the U.N.

He said China -- one of GATT's founding members -- was now keen to resume its membership, which was in line with its policy of opening to the rest of the world.

Since 1950, China has played no part in the international treaty organization, which reduces tariffs between member nations.

After resuming its membership of GATT, Wu said, China would continue to develop trade with all member countries on the basis of equality and mutual benefit.

SRV, U.S. REACH AGREEMENT ON MIA ISSUE

OW111320 Beijing XINHUA in English 1245 GMT 11 Jan 86

[Text] Hanoi, January 11 (XINHUA) -- A Vietnamese Foreign Ministry spokesman said in a statement Friday that Vietnam and the United States had reached agreement on steps of solving the issue of Americans missing in the Vietnam war (MIA), according to press reports here today. American Assistant Defense Secretary R. Armitage and Assistant Secretary of State P. Wolfowitz had talks with Vietnamese Foreign Minister Nguyen Co Thach and Vice Foreign Minister Hoang Bich Son on January 6 and 7 in Hanoi. They were the highest-level talks between the two countries in ten years.

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No details about the steps were given. But according to announcements made by the two sides recently, these steps include the exchanges of information of the missing Americans and the provision by the U.S. of necessary equipment for Vietnamese-U.S. joint excavations in the near future to find American remains.

The statement said that the two sides were satisfied with the talks and pledged to provide conveniences and cooperations for resolving the MIA issues within two years.

The statement also said, the MIA issues are "humanitarian". None of them could make this question becoming a political condition for the normalization of relations between the two countries.

American officials disclosed recently that Vietnam had invited R. Armitage and his delegation to visit a villa which could become American liaison office, but the invitation was gently refused by the Americans. The U.S. side took the view that at present it is unnecessary to set up such an office.

The statement denied that there are any American POW's still alive in Vietnam's jails now, nevertheless, it said that if the U.S. side could provide any concerned information, Vietnam will be ready to investigate into it.

#### REPRESENTATIVES ATTEND PEN CONGRESS IN U.S.

OW130748 Beijing XINHUA in English 0717 GMT 13 Jan 86

[Text] New York, January 12 (XINHUA) -- The 48th International PEN Congress opened here today with the theme "the writer's imagination and the imagination of the state." Nearly 1,000 novelists, essayists, poets, playwrights, editors and interpreters from 45 countries are attending the six-day annual conference. Included among the notables are Wang Meng and Lu Wenfu of China, Norman Mailer and Saul Bellow of the United States and Claude Simon of France. U.S. Secretary of State George Shultz addressed the opening ceremony.

The conference -- the first in the United States since 1966 -- was touted by organizers as the largest gathering of American and foreign writers ever assembled.

The International PEN Congress was set up in 1921 to fight censorship and the jailing of writers. It has 83 PEN centers in 62 countries.

#### ZHOU PEIYUAN LEAVES FOR UN SYMPOSIUM IN WARSAW

OW121828 Beijing XINHUA in English 1616 GMT 12 Jan 86

[Text] Beijing, January 12 (XINHUA) -- Prof. Zhou Peiyuan, president of the Chinese People's Association for Peace and Disarmament, left here today to attend a U.N. Symposium of experts on peace and the congress of intellectuals for world peace, Warsaw 1986, both to be held in Poland's capital, Warsaw.

Zhou, a physicist, also holds the posts of vice-chairman of the National Committee of the Chinese People's Political Consultative Conference, vice-president of the Chinese Organizing Committee for the 1986 International Year of Peace and president of the China-Poland Friendship Association.

"After the meetings, Zhou will visit Poland, Hungary and the German Democratic Republic as head of a delegation from the China Association for Science and Technology, of which he is the chairman.

REAGAN CRITICIZES ALLIES STANCE ON SANCTIONS

OW120251 Beijing XINHUA in English 0204 GMT 12 Jan 86

[Text] Washington, January 11 (XINHUA) -- U.S. President Ronald Reagan today criticized Western allies' reluctance to join Washington's sanctions against Libya. But he said that the relationship between the United States and its allies was too strong to be split by the current differences. In an interview yesterday in Washington with five leading European newspapers and released today by the White House, Reagan said that "those who have made statements that sanctions don't appear work...indicates that maybe sanctions haven't worked because we haven't jointly gone together."

Reagan expressed particular discontent with British Prime Minister Margaret Thatcher who said yesterday that "sanctions against Libya will not work" and strikes against that country were "against international law."

Reagan last Tuesday announced comprehensive U.S. economic sanctions against Libya which he accuses of being linked with terrorism, and exhorted Western allies to take similar actions against Libya. So far, the reactions from allies have been mostly cool and even critical. Most countries have expressed reluctance to follow the American lead because of their trade links with Libya. "I recognize the problems they have, but I have to say that I think there is a moral issue involved here with regard to a sovereign state that is so obviously resorting to terrorism literally against the world," Reagan said.

He said the United States should be ready for any contingency in dealing with Libya, adding that the economic sanctions he imposed has cleared the way for further American actions against Libya. However, Reagan refused to comment on possible military strikes against Libya.

Newspapers taking part in the interview were the London TIMES, LE MONDE of France, West Germany's FRANKFURTER ALLGEMEINE ZEITUNG, LA STAMPA of Italy and DIE PRESSE of Austria.

SHULTZ SAYS U.S. RESOLVED TO END TERRORISM

OW100932 Beijing XINHUA in English 0701 GMT 10 Jan 86

[Text] Washington, January 9 (XINHUA) -- Secretary of State George Shultz said today that the United States will take any actions "necessary to bring terrorism to an end." Speaking at a news conference here this afternoon, Shultz said: "We are prepared to use the measures that will be effective and necessary" in combating terrorism. "Forces are not always the best means but may be necessary on occasions," he said.

When asked why the Reagan administration has not decided to take military actions against Libya which is accused by the United States of being involved in terrorism, Shultz said: "I am not going to make any comments on military options or other things of that nature."

Shultz urged the West European allies to join the United States in economic sanctions against Libya and announced that the administration plans to send Deputy Secretary of State John Whitehead to Europe next week to explain U.S. views on the sanctions.

Meanwhile, U.S. ambassadors, armed with a CIA-prepared document outlining Libya's "support" for terrorism, began consultations with West European governments Wednesday.

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White House spokesman Larry Speakes said this morning that the U.S. diplomats had "found a receptive audience to the information we are providing about Libya." But reports said the U.S. call for joint sanctions against Libya has met with a cold shoulder in Europe where several countries are Libya's leading trade partners.

In Tripoli today, Libyan leader Mu'ammar al-Qadhdhafi called in ambassadors of West European countries and promised them the extradition of any terrorist proven to be in Libya. He indicated that he will use his influence to keep Palestinian terrorism out of Europe.

Asked to comment on Al-Qadhdhafi's pledge, Shultz dismissed it as a "rhetoric" and said that it "does not get us anywhere."

Referring to the planned U.S.-Soviet summit this year, Shultz said that no date has been set for the meeting between Reagan and Soviet leader Mikhail Gorbachev, though there were "a lot of discussions" on the matter between the officials of the two countries. But, he added that follow-up discussions at various official-level meetings between the United States and the Soviet Union on arms control, bilateral matters and regional issues were going on "pretty well".

HAO JIANXIU MEETS RICKOVER FOUNDATION OFFICIAL

OW131158 Beijing XINHUA in English 1129 GMT 13 Jan 86

[Text] Beijing, January 13 (XINHUA) -- Hao Jianxiu, member of the Central Committee Secretariat of the Communist Party of China, met here today Joann K. Dijennaro, executive vice-president of the American Hyman Rickover Foundation, and her husband. Hao briefed the guests on the situation of women in China.

STRATEGIC STUDIES EXPERT MEETS U.S. SCIENTISTS

OW131154 Beijing XINHUA in English 1122 GMT 13 Jan 86

[Text] Beijing, January 13 (XINHUA) -- Wu Xiuquan, chairman of the Beijing Institute for International Strategic Studies, met here this afternoon John Holdern, chairman of the American Federation of Scientists, and his party. They exchanged views on disarmament and other international strategic issues.

Wu gave a dinner for the U.S. visitors after the meeting.

DPRK TO STOP MILITARY EXERCISES DURING TALKS

OW110938 Beijing XINHUA in English 0904 GMT 11 Jan 86

[Text] Pyongyang, January 11 (XINHUA) -- The Democratic People's Republic of Korea announced today it would stop all large scale military exercises throughout its territory as of February 1 in an effort to ease tensions on the Korean peninsula.

A statement distributed to reporters by the Foreign Ministry said that the suspension would be effective through the North-South talks. It urged the United States and South Korea to respond to the move by stopping their military maneuvers as well.

At a press conference, Director of the Information Department of the Foreign Ministry Pak Min-sop said the decision was intended to create favorable conditions for the North-South dialogue and to prevent clashes that might erupt from military exercises. Pak noted that the United States and South Korea were preparing a joint military exercises, code named "Team Spirit '86," although it had not been announced formally. Last February, the United States and South Korea held a large scale military exercises in South Korea, causing a suspension of the North-South talks for several months.

When asked about the impact of the military exercises prepared by Washington and Seoul in this year, Pak said military exercises did not coordinate with dialogue. Dialogues, he predicted, would not yield results if Washington and Seoul insist on holding their exercises. DPRK has not held any large scale military exercise before, and will not do so even if the U.S. and South Korea did not accept its new proposal, he added. Last month Pyongyang put forth a similar proposal calling for a limitation on military exercises in the North and the South of Korea. But Washington rejected the proposal saying "troops must be trained."

## XINHUA Comments

OW111520 Beijing XINHUA in English 1435 GMT 11 Jan 86

["Correction Decision, Reasonable Call by Li Tu and Gao Haorong" -- XINHUA headline]

[Text] Pyongyang, January 11 (XINHUA) -- The Government of the Democratic People's Republic of Korea has decided to stop all massive military exercises within the North part of Korea as of February 1 with a view to creating a favorable climate for the proceeding inter-Korean dialogue, the Foreign Ministry announced here today. In a statement, the Foreign Ministry also urged the United States and the South Korean authorities to respond to the decision by taking corresponding actions to stop all massive military exercises within the South part.

As inter-parliamentary, Red Cross and economic dialogues are continuing and making some headway and the tense situation on the peninsula is relaxing, the North side's call for stopping all war games is certainly a righteous, reasonable and timely call worth consideration by the parties concerned. To continue various talks between the North and the South and further ease the tension on the Korean peninsula both sides should stop conducting war games in order not to provoke each other and undermine the existing atmosphere conducive to further dialogue. However, since 1976 the United States and the South Korean authorities have staged the regular joint military exercise dubbed "Team Spirit" in February every year with the number of participating troops increasing and the period extending year by year. No doubt, such actions can not but aggravate the tension on the peninsula.

The North side has expressed its strong desire time and again to remove misunderstandings and distrust between the two sides and improve the Korean-U.S. relations and the inter-Korean relations through tripartite talks. Thus, it opposes the holding of massive joint war games by the South Korean authorities and the United States, especially during the period of talks, like the one held in February last year which disrupted the North-South talks for several months. Last December, the Korean-Chinese side of the Korean Military Armistice Commission put forward a proposal for curbing military exercises, which the American side rejected. Last year, the South Korean side and the United States announced the joint military exercise on January 4. But this year, the two parties have not yet made such an announcement. Therefore, it is hoped that the United States and the South Korean authorities will give a positive answer to the call for stopping all military exercises so as to reduce tension in the region and improve inter-Korean relations.

## PRC Foreign Ministry Statement

OW120926 Beijing XINHUA in English 0911 GMT 12 Jan 86

[**"China Supports DPRK Government's Statement on Ceasing of Large-Scale Military Manoeuvres" -- XINHUA headline**]

[Text] Beijing, January 12 (XINHUA) -- A Chinese Foreign Ministry Spokesman issued a statement here today in support of the stand by the Government of the Democratic People's Republic of Korea (DPRK) to cease any large-scale military manoeuvres. The spokesman said, the Ministry of Foreign Affairs of the Democratic People's Republic of Korea issued a statement on 11 January declaring that the DPRK Government has decided to stop holding as from 1 February any large-scale military manoeuvres within the entire northern part of Korea and stop all military exercises during the period of the dialogue between the North and the South. The statement called on the United States and the South Korean authorities to respond to it by stopping holding any large-scale military exercises in South Korea as well as from 1 February.

The spokesman noted that this is another important move on the part of the DPRK Government designed to ease tension on the Korean peninsula and promote the dialogue between the North and the South, which once again gives expression to the Korean people's sincere desire for peace on the Korean peninsula and for the independent and peaceful reunification of the country. It accords with the interests of the entire Korean people and the other peace-loving people in the world, he added. The Chinese Government and people fully support this important measure taken by the DPRK Government, the spokesman said. "We hope that the U.S. Government and the South Korean authorities will size up the situation and respond positively to the call of the DPRK Government in earnest."

## RENMIN RIBAO Commentary

HK120756 Beijing RENMIN RIBAO in Chinese 12 Jan 86 p 6

[Short commentary: "Positive Move, Reasonable Proposal"]

[Text] On 11 January, the Korean Foreign Ministry issued a statement saying that from 1 February on, it would suspend large-scale military exercises in North Korea and all military exercises during the dialogue between the North and the South. The statement also calls on the United States and the South Korean authorities to respond to this decision by adopting similar measures in South Korea.

The decision made by the Korean Government is correct and timely and the proposal is reasonable. It has great practical significance for alleviating tension on the Korean peninsula and for creating favorable conditions for the dialogue between the North and the South.

Talks are currently going on between the two sides on many levels. Over the past year or so, thanks to the initiative taken by North Korea, these talks have been making progress in varying degrees, thus alleviating tension on the Korean peninsula and harmonizing relations between the North and the South. This is in keeping with the aspirations of all Koreans and is generally welcomed by the peoples of the world.

We can still recall that at the beginning of last year, when the North and the South were holding talks, despite strong Korean objections the United States and the South Korean authorities jointly held a large-scale and time-consuming military exercise code-named "Team Spirit-'85," thus causing the North-South dialogue to be suspended for several months. North Korea does not want to see such regrettable actions any more. This shows that by taking moves to eliminate mutual misunderstanding and mutual distrust, the Korean Government sincerely hopes that it can improve its relations with the United States and with the South through dialogue and consultation. The Korean Government has been working hard toward this goal for a long time. In December of last year, 21 Korean political parties and social organizations jointly issued a statement demanding that the Korean peninsula be turned into a non-nuclear zone and a peace zone. During a meeting of the Military Armistice Commission, Yi Tae-ho [2621 3141 8504], the leading representative of the Korean and Chinese side on the commission, proposed "a limit to military exercises." However, the United States and the South Korean authorities have so far not responded to this proposal.

In the face of North Korea's renewed proposal, the United States and the South Korean authorities should remain indifferent no more. They should, by taking practical actions, show that they are sincere about alleviating tension on the Korean peninsula and about improving relations between North and South Korea.

RENNMIN RIBAO Report

HK130414 Beijing RENMIN RIBAO in Chinese 12 Jan 86 p 6

[Special dispatch by Liu Zhengxue and Feng Zhiyuan: "Korean Government Announces Ceasing Large-Scale Military Exercises and Proposes the U.S. and South Korean Authorities Respond"]

[Text] Pyongyang, 11 Jan (RENNMIN RIBAO) -- Today, the Korean Ministry of Foreign Affairs was authorized to issue a statement solemnly announcing that in order to relax the tension on the Korean peninsula and to create a decisively favorable environment for the North-South dialogue, the Korean Government has decided that no large-scale military exercise will be carried out in the northern part of the republic beginning 1 February 1986 and all military exercises will be stopped while the North-South dialogue is in progress. The statement also calls for the United States and the South Korean authorities to respond to this decision of the North by announcing and affecting the suspension of all military exercises with the entire territory of South Korea from the same date.

Pak Min-sop, director of the Information Department of the Korean Foreign Ministry, held a press conference at 1030 today at Potong-gang Hotel in Pyongyang to distribute and explain the Foreign Ministry's statement.

The statement says: The North and the South held many rounds of talks last year, bringing joyful feelings to the Korean people who were embittered by the state of being divided and giving rise to a further upsurge of the whole nation's eagerness for reunification.

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This year, greater progress should be made in easing tension on the Korean peninsula and in advancing North-South dialogue. It will be inappropriate if military exercises aimed at the other side are being carried out when both sides are sitting together to hold a dialogue. The statement says that all military exercises, whether held openly or covertly and whether held on the Korean peninsula or surrounding areas, will pose threats against the other side in the dialogue.

The statement says: If the United States and South Korea regard it as necessary to discuss with the North the issue of stopping military exercises, the North will be ready to respond to this at any time.

The statement also points out: The scheme of stopping military exercises is completely in conformity with the desires of the Korean people and all peace-loving peoples of the world. The realization of this scheme will obviously improve North-South relations, gradually create a peaceful atmosphere on the Korean peninsula, and bring about positive changes in Korean-American relations.

The statement points out: Last year, the North-South dialogue, which did not come easily, was suspended for a few months due to the large-scale joint military exercise "Team Spirit '85" carried out by the United States and South Korean authorities. Now, although no formal announcement has been made on the holding of a "Team Spirit '86" joint military exercise, many indications have shown that they are preparing for such an exercise. In order to prevent the reappearance of the state of events of last year, the North holds that the United States and the South Korean authorities should take urgent measures to ensure the smooth development of the dialogue in the coming months.

When asked what the impact would be on the ongoing North-South dialogue if the United States and South Korea hold a "Team Spirit" exercise this year, Pak Min-sop said: Military exercises are not in line with dialogue. No dialogue will yield results if military exercises are carried out at the same time. He added that even if the United States and the South Korean authorities do not accept Korea's proposal this time, Korea will still not hold any large-scale military exercises.

#### DPRK Charge's Press Conference

OW131432 Beijing Domestic Service in Mandarin 1200 GMT 13 Jan 86

[Text] At a press conference this morning, Kim Chang-gyu, charge d'affaires ad interim of the DPRK Embassy in China, explained to Chinese reporters the contents of the DPRK Foreign Ministry's 11 January statement. The Korean Government statement declares that large-scale military exercises will be stopped throughout the northern half of the republic from 1 February, and that all military exercises will be stopped during the period of the North-South dialogue. The statement proposes that the U.S. Government and the South Korean authorities respond to this decision.

Kim Chang-gyu said: The main purpose of our measure is to create by every means a favorable environment for relaxing tension on the Korean peninsula, promoting the smooth progress of the North-South dialogue, and realizing the talks at the highest level.

He thanked the Chinese Government for its support of the Korean Government statement on stopping large-scale military exercises.

#### NODONG SINMUN AGAIN CALLS FOR TRIPARTITE TALKS

OW101124 Beijing XINHUA in English 1112 GMT 10 Jan 86

[Text] Pyongyang, January 10 (XINHUA) -- NODONG SINMUN today said in a commentary that tripartite talks among Pyongyang, Seoul and Washington would ease tensions on the

Korea peninsula and provide favorable conditions for Korea's peaceful reunification. The proposal for tripartite talks was made by Pyongyang on January 10, 1984. Under this proposal, the North side of Korea will first confer with the United States on matters concerning a "peace treaty" and U.S. troop withdrawal from South Korea. Meanwhile, the North and the South will discuss the publication of a "declaration of mutual non-aggression".

The Korean paper was commemorating the second anniversary of the publication of the proposal. The paper said that dialogues between the North and the South of Korea are aimed at resolving internal problems of the country. However, no dialogue can make any progress unless peace in the Korean peninsula is guaranteed, the paper stressed. The tripartite talks are expected to turn the Korean armistice treaty into a peace treaty, and a declaration of mutual non-aggression by the North and the South would ease tensions in Korea. All this provides the fundamental prerequisites for Korea's independent and peaceful reunification and encourages North-South talks to proceed smoothly.

The commentary said that the North side has made constant efforts toward the realization of the tripartite talks. However, the talks have so far failed to start because U.S. insisted on "bilateral talks between the North and the South" instead of tripartite talks proposal. The United States should make an immediate response to the proposal and withdraw its nuclear weapons and troops from South Korea in accordance with the spirit of Soviet-American summit talks. The commentary also called for energetic efforts from all peace-loving peoples of the world to help realize the tripartite talks as soon as possible.

#### KOREAN OLYMPIC MEETING ACHIEVES PROGRESS

OW101258 Beijing XINHUA in English 0656 GMT 10 Jan 86

[Text] Lausanne, January 9 (XINHUA) -- Some headway and not any final agreement about co-hosting the 1988 Olympics was achieved at the second reunion meeting by the National Olympic Committees of the Democratic People's Republic of Korea and South Korea which ended here Thursday. The two-day meeting, presided over by the IOC President Juan Antonio Samaranch, achieved "significant and constructive progress in several aspects," according to a communique issued by the IOC.

Speaking at a post-reunion meeting press conference, Samaranch said that the meeting was held under "a constructive, amiable and co-operative atmosphere." According to the IOC president, three of the four questions discussed at the reunion meeting achieved "substantive progress." They are about staging some events in both sides of Korea, participation of the D.P.R. Korea in the cultural programme during the 1988 Summer Olympic Games and staging some events in the North side of Korea. No agreement was reached on their joint participation in the opening ceremony of the 1988 games.

The IOC president said that the IOC would create a "better condition" for the participation of the D.P.R. Korea in the 1988 summer games. He pointed out that the IOC would stick to the decision of staging the 1988 Olympics in Seoul which was decided in Baden-Baden, Federal Germany, in 1981. Samaranch said at the press conference that the task of the reunion meeting "is not easy." But he hopes all the IOC members will take part in the 24th Olympic Games. The first reunion meeting was held last October in Lausanne. The third meeting is slated for June 10 and 11 this year in the same city.

COMMENTATOR REBUTS SRV ATTACK ON HU'S XISHA VISIT

OW121115 Beijing in Vietnamese to Vietnam 1100 GMT 9 Jan 86

[Station commentator Ya Ming: "We Refute the Vietnamese Authorities' Irrational Attack on General Secretary Hu Yaobang's Visit to the Xisha Archipelago"]

[Text] On 31 December 1985 and 1 January 1986, PRC Central Committee General Secretary Hu Yaobang visited China's Xisha Archipelago and jointly celebrated the new year festival with the Chinese troops stationed there. The Vietnamese authorities irrationally attacked the visit, absurdly claiming that Xisha and Nansha Archipelagoes are Vietnamese territory and that General Secretary Hu Yaobang's visit to the Xisha Archipelago is an encroachment on Vietnam's sovereignty and territorial integrity.

This turning-black-into-white attack by the Vietnamese authorities once again exposes their stance of adamantly opposing China and persistently pursuing their aggressive and expansionist policy. From time immemorial the Xisha and Nansha Archipelagoes have consistently been China's territory. For millennia Chinese governments of various dynasties have consistently exerted control over these two archipelagoes. During World War II, they were illegally occupied by the Japanese for some time. But after Japan's surrender, the Chinese Government sent high-ranking officials to take over these archipelagoes and dispatched Armed units there to occupy and defend them. Following the birth of New China, the Chinese Government has continued to administer and develop them. It has, on several occasions, solemnly asserted China's sovereignty over them.

China's sovereignty over the Xisha and Nansha Archipelagoes has been widely recognized worldwide. World atlases published by the Soviet Union between 1954 and 1967 noted that the Xisha and Nansha Archipelagoes are Chinese territory. Maps published by many other countries also show those archipelagoes as China's territory.

It must be pointed out is that, for a long time, Vietnam, in statements, government notes, newspapers, maps, and textbooks, officially recognized the Xisha and Nansha Archipelagoes as China's territory. On 15 June 1956, when receiving (Li Zhimin), chargé d'affaires of the Chinese Embassy in Vietnam, Ung Van Khiem, vice foreign minister of the Democratic Republic of Vietnam, solemnly said: According to Vietnamese documents, and historically speaking, the Xisha and Nansha Archipelagoes must be China's territory.

In its 4 September 1958 statement on China's 12-nautical-mile territorial waters, the PRC Government unequivocally pointed out that the statement applies to all Chinese territory, including the Xisha and Nansha Archipelagoes. Ten days later, Vietnamese Premier Pham Van Dong, in a note to Chinese Premier Zhou Enlai, recognized and approved the Chinese statement. World atlases published by the Vietnamese land survey department, maps printed by the office of the Vietnamese premier in 1972, and geography textbooks for the ninth grade of Vietnamese general schools published in 1974 by the Vietnamese Education Publishing House also recognize the Xisha and Nansha Archipelagoes as China's territory. This proves that the Xisha and Nansha Archipelagoes have always been China's territory. There are sufficient legal documents to support this.

We are determined not to allow any country to violate China's sacred territory. As General Secretary Hu Yaobang said during his visit to the Xisha Archipelago: "We do not occupy one single inch of territory of any country, and we do not allow anyone to occupy one single inch of territory of our great motherland."

The Vietnamese authorities say that a Chinese leader's visit to his country's territory is a violation of Vietnam's territorial sovereignty. This completely runs counter to the basic principles of international relations, and also to the Vietnamese authorities' past policy of recognizing the Xisha and Nansha archipelagoes as China's territory. It is gross interference in China's internal affairs. It proves that the Vietnamese authorities still cling to their policy of regional expansionism, aggression, and expansionism. It also exposes the utter hypocrisy of their recent, glib statement about their desire to improve Vietnamese relations with China.

'EXCUSES' FOR SRV OCCUPATION OF CAMBODIA NOTED

OW121526 Beijing XINHUA in English 1504 GMT 12 Jan 86

[**"Commentary: Vietnam's 'Peaceful Coexistence' Call a Hoax (by Tang Tianri)" -- XINHUA headline]**

[Text] Beijing, January 12 (XINHUA) -- At the beginning of 1986, the Vietnamese authorities intensified their military operations in Kampuchea, while also on calling for "peaceful coexistence" in Southeast Asia. At a recent press conference, Vietnamese senior Foreign Ministry official Vo Dong Giang said that the Kampuchean issue was closely related to peace and security in Southeast Asia, and that peaceful coexistence should form the basis for discussions on independence, sovereignty and security in the region.

Vo said that the settlement of the Kampuchean issue did not lie in Vietnamese withdrawal from Kampuchea and criticized the international pressures on Vietnam to withdraw its troops from Kampuchea by 1990. These remarks contradict Hanoi's earlier pledges and demonstrate Vietnam's unwillingness to withdraw from Kampuchea.

Vo emphasized that the withdrawal of Vietnamese troops will "coordinate with the growth of the Kampuchean revolutionary forces and depend on whether they are able to assume all military tasks." The Vietnamese prerequisite for withdrawal seems designed to strengthen the Vietnamese-backed Heng Samrin regime and to pit Kampuchean against Kampuchean to perpetuate Vietnam's long occupation of Kampuchea. Vo also appealed to all factions in Kampuchea to hold talks with the Heng Samrin regime without mentioning Vietnamese withdrawal from Kampuchea. This is a blatant trap set by Hanoi, to legitimize the Heng Samrin regime and the Vietnamese presence in Kampuchea.

Vo also reiterated that the Kampuchean issue can not be solved independently. He called for an international guarantee for peace and security in Southeast Asia and the elimination of "foreign interference." He warned that if a solution could not be found, the Vietnamese pullout would have to be delayed. Obviously, Vo is assembling excuses for Vietnam's continued occupation of Kampuchea.

Unfortunately for Vo, facts speak louder than words. Presently, the Vietnamese authorities have 180,000-200,000 troops in Kampuchea. Vietnamese aggressors have killed a large number of Kampucheans and trampled on the sovereignty and territorial integrity of the country, and destroyed peace and stability in Southeast Asia.

Vietnam's so-called "peaceful coexistence" call is a front to legitimize its military expansion and hegemony. It is incompatible with the will of the peoples in Southeast Asia and the world. The only way to resolve the Kampuchea problem is on the basis of relevant U.N. resolutions that call on Vietnam to withdraw its troops from Kampuchea unconditionally, thereby enabling the Kampuchean people to set up a peaceful, independent, neutral and non-aligned country free of foreign interference. This alone will bring peace to this Southeast Asian "hot spot," shattered since Vietnam invaded Kampuchea in 1978. And this is the only to regain peace and security in Southeast Asia.

BEIJING PROGRAM ON CAMBODIAN PROBLEM, PART ONE

OW101010 Beijing Domestic Service in Mandarin 1150 GMT 7 Jan 86

[First of four-part talk from "International Current Events" program: "The Origin and Essence of the Cambodian Issue"]

[Text] On 25 December 1978 Vietnam dispatched 200,000 regular troops on a large-scale armed invasion of Cambodia with the support of the Soviet Union. In the short span of 1 month it occupied a large part of Cambodia's territory and then rigged up the Heng Samrin puppet regime. At that time people all over the world were shocked. Why did Vietnam, once subjected to foreign aggression, turn to invade a small, weak neighbor so soon after its victory in the war against the United States?

The fact was that Vietnam had long harbored a wild scheme to forcibly occupy all of Cambodia. Even before its nationwide victory, Vietnam had stationed a large number of troops on Cambodian territory, and had taken the opportunity to continuously advance toward Cambodia's interior in the hope that it would be able to occupy that country right after liberating southern Vietnam. At the repeated request of, and due to the opposition of the Cambodian resistance forces, however, the Vietnamese troops had been compelled to withdraw to the Cambodia-Vietnam border. In spite of this, Vietnam had not given up its established policy.

Following the 1975 nationwide victory, with the smooth progress of the so-called Indochinese federation plan in Laos, it went further by making Cambodia its target. In the beginning, Vietnam made such proposals to Cambodia as launching a joint economy and having joint armed forces, and tried to draw Cambodia to its side in jointly opposing ASEAN. Subsequently, it made the unreasonable demand of annexing a vast part of Cambodia's land and waters. When these schemes were smashed one after another, the Vietnamese authorities flew into a rage from shame and decided to conquer Cambodia by force.

Subsequently, armed provocations along the Cambodia-Vietnam border continually escalated and became increasingly acute. In the summer of 1978 the Communist Party of Vietnam held its fourth plenary session, at which the Le Duan clique decided to adopt as a major task the launching of all-out efforts to win political and military victory on the southwestern border as soon as possible. As can be seen, Cambodia's annexation had been Vietnam's established policy, and it was this policy that led to the world-shaking incident of Cambodia's armed invasion.

It should be pointed out that there is an inseparable link between the creation of the Cambodian issue and Soviet intervention. On 3 November 1978 in Moscow, the Soviet and Vietnamese leaders signed a treaty of friendship and cooperation, which, in essence, was a treaty of military alliance. In accordance with this treaty, the Soviet Union provided Vietnam with large quantities of modern weapons and equipment and dispatched numerous military advisers to that country to strengthen the latter.

It was because of this behind-the-scenes support and assistance from the Soviet Union, a superpower, that Vietnam dared to defy universal condemnation and launched a full-scale aggressive war against Cambodia, knowing that it had strong backing and that there was nothing to fear.

What is the reason for Vietnam's invasion of Cambodia? In a word, it wants to fulfill its Indochinese federation plan, which it has hoped earnestly for years to realize. The so-called Indochinese federation plan is to seize and take control of Laos and Cambodia and to form a so-called Indochinese federation with Vietnam as the hegemonic overlord.

But Vietnam's goal is not limited to this. The invasion and occupation of Cambodia is only Vietnam's first step in pushing its regional expansionist policy. Once Vietnam has gained complete control over Cambodia, it will use the same tactic against Thailand, Singapore, and other countries to further carry out its regional hegemonic scheme. Therefore, Vietnam's ultimate goal is to annex all Southeast Asian countries.

What is more serious is that Vietnam has spearheaded the expansion of Soviet influence in Southeast Asia. This is because the Soviet Union has obtained the right to use such military bases as Cam Ranh Bay and Danang in exchange for its support of Vietnam's aggression against Cambodia. The Soviet Union has thus seized the opportunity to expand its military presence in Vietnam. This has not only enabled the Soviet Union to turn Vietnam into a Soviet advanced base in Southeast Asia for eventual control of the area, but, by threatening vital international navigation routes in this area and expanding the Soviet sphere of influence in Asia, has placed the Soviet Union in an advantageous position to contend for world hegemonism. It is exactly for this purpose that the Soviet Union has supported Vietnam in launching the Cambodian war. Thus, it is said that the Soviet Union and Vietnam each has its own aim in colluding with each other in the aggression against Cambodia.

To achieve its regional hegemonic aim, Vietnam has strengthened its military occupation of Cambodia, and at the same time stepped up its policy of Vietnamization in an attempt to turn Cambodia into a permanent dependency. First, the Vietnamese authorities rigged up the Heng Samrin puppet regime by force, sent out a large number of advisers, seized power in all military and government departments from the central down to basis levels, and legalized Vietnam's occupation, control, and plunder of Cambodia. Second, Vietnam launched massive immigration into Cambodia, forcibly occupied local residents' houses and property, forced Cambodian women to marry Vietnamese and to bring up their children as Vietnamese in order to assimilate the Cambodian nation. Some 700,000 Vietnamese have emigrated to Cambodia. Counting the over 100,000 Vietnamese troops and several tens of thousands of Vietnamese advisers, the total number of Vietnamese in Cambodia is close to 1 million, nearly 20 percent of the Cambodian population. Third, Vietnam has been enforcing enslavement education in Cambodia. The Vietnamese authorities have sent one Cambodian group after another to Vietnam to undergo enslavement education. Vietnamese language has been made a required course in Cambodian schools at all levels, and Cambodian students have been indoctrinated with the greater Vietnam philosophy through history books. In the meantime, the Vietnamese Army has brutally massacred and jailed innocent Cambodians, or forced them to do hard labor. The atrocities committed by Vietnam on Cambodian soil surpass the crimes committed by any colonial regime in Cambodia in the past. All this fully exposes the ugly features of the aggressor.

To support Vietnam in winning victory in the war against the United States, Cambodia made selfless contributions. The Vietnamese authorities, on their part, returned good with evil. To satisfy their ambition of dominating Southeast Asia, they brazenly occupied a sovereign country by armed force in an attempt to turn it into a permanent Vietnamese colony, in gross violation of the spirit of the UN Charter and the elementary requirements of international relations. This is the crux of the Cambodia problem, a fact that the Vietnamese authorities can in no way distort.

LU PING ON 'HONG KONG PEOPLE GOVERNING HONG KONG'

HK100540 Beijing ZHONGGUO XINWEN SHE in Chinese 0815 GMT 9 Jan 86

[Report: "Lu Ping Says That the Concept 'Hong Kong People Governing Hong Kong' Should Be Expressed in Legal Terms"]

[Text] Hong Kong, 9 Jan (ZHONGGUO XINWEN SHE) -- Lu Ping, secretary general of the Hong Kong and Macao Affairs Office of the State Council and deputy secretary general of the Basic Law Drafting Committee, said today in Hong Kong that "Hong Kong people governing Hong Kong" is not a legal term but an unscientific vernacular term and that it is necessary to write the meaning of "Hong Kong people governing Hong Kong" into the basic law with legal language. He also stressed that cadres who come to work in Hong Kong from the interior of China are not Hong Kong people.

This is what Lu Ping told Hong Kong reporters this morning after listening to the opinions of the second group of Basic Law Drafting Committee members in Hong Kong. Lu Ping said that "'Hong Kong people governing Hong Kong' is often used orally. However, these six words are not scientific, so the 'Sino-British Joint Declaration on the Question of Hong Kong' does not contain these words but says Hong Kong will be governed by itself. What does 'Hong Kong people governing Hong Kong' mean? Who are Hong Kong people? Should all the people in Hong Kong be counted as Hong Kong people? Therefore, it is not very scientific. But, it can be said orally. It is necessary to write the concept of 'Hong Kong people governing Hong Kong' into the basic law with legal language to make it more scientific and include the meaning of 'Hong Kong people governing Hong Kong.'"

When asked by reporters whether the cadres sent by the interior are counted as Hong Kong people, Lu Ping replied that "Cadres sent by the interior to work in Hong Kong are not counted as Hong Kong people. Only those people who have lived here 7 years, possess permanent identity cards and have permanent right of abode are counted as Hong Kong people."

When reporters asked whether the mainland government will send cadres to Hong Kong on Hong Kong passports to acquire qualification as Hong Kong people, Lu Ping laughed and said that "people from the interior are not familiar with things in Hong Kong, as Hong Kong practices capitalism while the interior practices socialism. As these are two different systems, why should we send people to Hong Kong from the interior? Aren't there talented people in Hong Kong? The people who are present here are all talented people, and are the people to govern Hong Kong after 1997."

Lu Ping and his working team of experts are in Hong Kong for 6 days. They have met the deputy directors and members of the Basic Law Drafting Committee residing in Hong Kong, and listened to quite a few opinions. Lu Ping said that he will also meet with each member individually to obtain more opinions. Later, Lu Ping and his group will meet with 180 members of the Basic Law Consultative Committee in groups, to extensively solicit opinions.

COMMENTARY WARNS OF ISRAELI MILITARY AGGRESSION

OW111156 Beijing XINHUA in English 1141 GMT 11 Jan 86

[*"Commentary: Beware of Israel's New Military Aggressions (by Chen Peiming)" -- XINHUA headline*]

[Text] Beijing, January 11 (XINHUA) -- While the United States takes a high-handed policy against Libya, Israel is tightening the rope around an already tense situation in southern Lebanon, leaving North Africa and the Middle East no closer to peace. Israeli authorities are stepping up their military aggressions in southern Lebanon, using the old excuse of "defending the security of the northern border." Their troops based in the so-called "security belt" have been constantly attacking the area, chasing and persecuting civilians. Besides, the Israeli troops, accompanied by their dummy "South Lebanese Force," shelled and raided the villages to the north of the "security zone" on the pretense of searching for guerrillas.

For some time, Israeli ships have been patrolling the Lebanese territorial waters and their planes have been flying reconnaissance missions over Lebanese air space. Other reports say that Israel has assembled 30 tanks in the "security zone." Israeli Prime Minister Shimon Peres said publicly that Israeli troops would stage a comeback when needed. This ever-present show of force indicates it is probable Israel will take new offensives in southern Lebanon.

Israel recently has suffered setbacks in several areas. First, Israel and the United States attempted to persuade Jordan to have independent and direct peace talks with Israel, but Jordan refused. Instead, Jordan and Syria coordinated on peace talks, and agreed that the Middle East issues will have a just solution only through international conferences. Secondly, Israel sees the Palestine Liberation Organization (PLO) as the number one enemy, and will not let the PLO participate in the peace talks, at least before it can destroy the PLO. However, Arab countries maintain that the PLO should attend international conferences. And, Israel had hoped that religious divisions in Lebanon would prevail for a long time so it can mount its offensive without other interferences. But, the three main militia groups of Lebanon signed a peace agreement on December 28 at a meeting presided over by Syria. The agreement maintains that Lebanon should achieve national reconciliation, to stabilize the war-torn factions. Israeli authorities by no means are willing to see the crisis in Lebanon move toward a peaceful settlement. Nor will Israel accept the growing Syrian influence in Lebanon or the improvement of relations between Jordan and Syria, since these moves will reinforce Syria's ability to confront with Israel.

When Syria deployed ground-to-air missiles in Lebanon's Al-Biqa' valley and along Syria's western border last November after dogfights between Syrian and Israeli planes, Israel demanded Syria remove the missiles deployed along Syria's western border. Syria recently withdrew the shorter-range missiles from the Al-Biqa' area but refused to remove the longer-range SAM-2 missiles. It has warned Israel that any attack on the missile sites would be retaliated with "Syria's total military might." Israel, to show its military might, conducted the exercises following the deployment, and Syria in return launched a maneuver involving the Army, the Navy and the Air Forces. Israeli-Syrian tensions, focusing on the "missile crisis," have reached the highest point since 1982.

Western observers believe that Israel has two "strategic goals." One is to "destroy the PLO," the other is to "deter the growth of Syria's influence in Lebanon." Nevertheless, any new Israeli aggression against Lebanon, the PLO or any Arab country will surely arouse great opposition from the Arab world.

#### HIGH-RANKING SUDANESE DELEGATION ARRIVES

OW111038 Beijing XINHUA in English 1031 GMT 11 Jan 86

[Text] Beijing, January 11 (XINHUA) -- Lieut. Gen. Muhammad Tawfiq Khalil, member of the Sudan's Transitional Military Council and chief of staff of the Armed Forces, arrived here today for a ten-day visit to China at the head of a high-ranking Sudanese delegation.

The Sudanese guests, who are guests of the Chinese Government, were met at the airport by He Qizong, deputy chief of the General Staff of the Chinese People's Liberation Army, and Qi Huaiyuan, assistant minister of foreign affairs. Sudanese Ambassador to China Muhammad Hamad Matar was also on hand.

Feted by Tian Jiyun

OW121912 Beijing XINHUA in English 1840 GMT 12 Jan 86

[Text] Beijing, January 12 (XINHUA) -- Chinese Vice-Premier Tian Jiyun said here today that the Sino-Sudanese friendly relations and cooperation will surely reach a new level with the common efforts by the two sides.

Tian was speaking at a banquet given by him in honor of a high-ranking Sudanese delegation here this evening at the Great Hall of the People. The delegation, led by Lieut. Gen. Muhammad Tawfiq Khalil, member of the Sudan's Transitional Military Council and chief of staff of the Armed Forces, arrived in Beijing yesterday on a ten-day official visit to China.

Tian spoke highly of the unremitting struggle of the Sudanese people during the last 30 years for safeguarding national dignity and state sovereignty, and developing national economy and culture.

In the international affairs, Tian said, the Sudanese Government follows a policy of good-neighboringliness and non-alignment, opposes power politics and external interference, and supports the just struggle of peoples of Palestine and in southern Africa. "The Sudan is playing an increasingly bigger role in the international community," Tian said. He noted that China and the Sudan have all along sympathized with and supported each other, thus forging profound friendship between the two.

In the more than 20 years since the two countries established diplomatic relations, they have always adhered firmly to the five principles of peaceful coexistence and their mutual friendship and cooperation have developed despite the changeable international situation.

The Chinese Government is ready to work together with the Sudanese Government to explore new forms and areas for strengthening the bilateral economic and technical cooperation, Tian said. The vice-premier described the current visit of the delegation as an important event in the Sino-Sudanese friendly contacts.

Tawfiq said that his country always cherishes the friendship with China and the delegation's visit to China will help them know more about China's achievements in the fields of economy, politics, culture and technology, and especially those of modernizing the country's agriculture, industry, science and technology, and national defense. He acquainted his hosts about the political, economic and social reforms going on in his country, stating that after the transitional period ends in April 1986, the Sudanese people will enjoy full freedom of choosing their ways for progress, Tawfiq said.

He said that the Sudan and China share many identical or similar positions in their foreign policies, both the two countries are against imperialism and hegemonism and believe in the principles of peaceful coexistence. Both support the Palestinian people's struggle to recover their rights under the leadership of the Palestine Liberation Organization and liberation movements of Namibia and in southern Africa, he said.

Among those present at the banquet were He Qizong, deputy chief of the General Staff of the Chinese People's Liberation Army, and Muhammad Hamad Matar, Sudanese ambassador to China.

#### Talks With Tian Jiyun

OW130808 Beijing XINHUA in English 0751 GMT 13 Jan 86

[Text] Beijing, January 13 (XINHUA) -- Chinese Vice-Premier Tian Jiyun and visiting Sudanese Transitional Military Council member Muhammad Tawfiq Khalil agreed here today that the two parties would make new efforts to enhance their bilateral relations.

Tian and Lieutenant General Tawfiq Khalil, who is also chief of staff of the Sudanese Armed Forces, held 80-minute talks at the Great Hall of the People.

Tian Jiyun noted that China and the Sudan hold identical or similar views on many important international issues. He also praised the ruling Sudanese Transitional Military Council led by Chairman Dahab for its neutral and non-aligned foreign policy, and its efforts to safeguard its sovereignty and national unity and to overcome economic difficulties.

Tawfiq Khalil described Sudan-China ties as "strong and profound." He thanked China for offering genuine assistance to the Sudan. He also briefed his host on the latest development of the situation in the Sudan.

LEADERS SPEAK AT MEETING OF CENTRAL ORGANS CADRES

Hu Yaobang Speech

OW101749 Beijing XINHUA Domestic Service in Chinese 0853 GMT 10 Jan 86

[Hu Yaobang speech at meeting of cadres of central organs on 9 January: "Central Organs Must Set an Example for the Whole Country"]"

[Text] Beijing, 10 Jan (XINHUA) -- Comrades: The first 5 years of the 1980's have passed, and the second 5 years, that is, the Seventh 5-Year Plan period, have already begun. This meeting has been in progress for 2 and 1/2 days. I believe that this is of great significance.

Comrade Tian Jiyun discussed the economic situation and the reform of the economic structure. Comrade Wang Zhaoguo discussed the improvement of discipline and work style in central organs. On behalf of the Military Commission, Comrade Shangkun talked about the situation in the Army and the correction of the party style. They have spoken well, representing the views of the central authorities.

How was our performance during the first 5 years of the 1980's? I believe that there are two "truly's." First, we have truly created a new situation, and entered a period of rejuvenation. At least, there is such a trend. Second, we have truly found a road to build socialism with Chinese characteristics. As least, we have seen such a pattern. Although we still have many problems and difficulties and will face even more problems in the future, we, nevertheless, have already seen bright prospects in the development of the socialist modernization program for our great motherland. Having passed through the first 5 years of the 1980's, all of us realize that it was not easy to achieve the accomplishments and victories in these 5 years. Since the 3d Plenary Session of the 11th CPC Central Committee, held at the end of 1978, our party Central Committee has made a series of major policy decisions. These major policy decisions are mainly reflected in the following nine principles:

1. Deny the erroneous principle of "taking class struggle as the key link", and based on China's practical conditions, set forth the strategic target of quadrupling the gross annual value of industrial and agricultural production by the end of the century.
2. Thoroughly negate the "Great Cultural Revolution," analyze the historical experience since the founding of the nation, and make a correct assessment of the late Comrade Mao Zedong.
3. Practice the policy of opening to the outside world and invigorating the domestic economy, and reform gradually but resolutely the rural and urban economic structures.
4. Redefine the national defense policy in line with new historical conditions.
5. Readjust the basis for China's foreign policy, and firmly carry out an independent and peaceful foreign policy.
6. Consolidate and expand the patriotic united front, and implement the scientific concept of "one country, two systems" to achieve the reunification of the motherland.

7. Resolutely and gradually reform the cadre system to replace large numbers of old members of the leading bodies at all levels with new younger ones.
8. Define the strategic principle of simultaneously developing the socialist civilization ideologically and materially in order to build China into a highly democratic and civilized socialist country.
9. Consolidate party organizations, and build the party into a strong core of leadership that can take the lead in the development of the socialist modernization program.

All these are important policy decisions that have brought about profound changes. These policy decisions have played a significant role in helping us create the new situation in the past 5 years. Comrades may recall: When we first put forward issues, there seemed to be endless discussions. After being verified by the experience of various departments and the broad masses, conclusions were finally reached with the approval of the majority of the comrades. It is easier to deal with the issues once a breakthrough has been made. Therefore, the main lesson to be learned from the past 5 years is that we must adhere to the four cardinal principles and rely on the firm leadership of the party Central Committee and its lines, principles, and policies that promote intellectual emancipation, the seeking of truth from facts, and the united efforts by the whole party, the entire Army, and the people of all nationalities throughout the country.

What should we do in the second 5-year period in the 1980's? The National Conference of Party Delegates last year has already formulated the general principles of the "Seventh 5-Year Plan." The State Council is currently working on the draft "Seventh 5-Year Plan" and making preparations to refer it to the Fourth Session of the Sixth NPC for deliberation and approval. This session will be held in March this year. The general tasks for the next 5 years are to carry out economic restructuring and build an ideologically sound socialist civilization, while continuing economic construction. In this way, our socialist modernization drive can continue developing in a sustained, steady, and coordinated manner in all fields.

We should say that we already have many favorable conditions for carrying out these tasks as the whole party and nation share a unified ideology; our policies are clearer and more systematized; the structure of cadre ranks has been further rationalized; and the international environment is more favorable for China to concentrate on its socialist modernization drive. We have a correct line, correct blueprint, and a series of favorable conditions. Under this situation, the most important thing is to further whip up the revolutionary spirit of our broad masses of party members, cadres, and the hundreds of millions of people. Is not the RENMIN RIBAO new year editorial titled: "Let the Spirit of the Foolish Old Man Prevail in the Divine Land"? I believe: To carry forward the spirit of the foolish old man means to turn the second 5 years of the 1980's into a period of unity, firmness, and tenacity in struggle.

To stress unity in struggle means that all the people must closely unite with each other around the correct line, principles, and policies laid down by party Central Committee. Everyone should act while taking the overall situation into consideration.

To stress firmness in struggle means that everyone should work conscientiously and stress practical results. They must never slacken their efforts, and become lethargic and careless. They must avoid committing serious mistakes and prevent major upheavals.

To stress tenacity in struggle means that everyone should carry out their work with firm confidence and tenacity in accordance with the correct line, principles, and policies laid down by the central authorities, and continuously improve and develop their work. What we need are these two types of tenacity. That is precisely the spirit of the foolish old man who "went on digging away at the mountain."

Exactly 40 years ago, Comrade Mao Zedong, at the Seventh National CPC Congress, held in 1945, called for efforts to carry forward the spirit of the foolish old man. At that time, such efforts were aimed at eliminating the three big mountains on the backs of the Chinese people. Now, in order to achieve our goal in construction set in the "Seventh 5-Year Plan" and realize the three major tasks to be accomplished before the turn of this century as laid down by Comrade Xiaoping on behalf of the party Central Committee, shouldn't we do an even better job in carrying forward the spirit of the foolish old man on a still larger scale? In developing social productive forces, we need the spirit of the foolish old man. In reforming our structure in an overall manner, we require the spirit of the foolish old man. In strengthening our efforts to build ideologically sound socialist civilization, we need the spirit of the foolish old man. In overcoming unhealthy trends, we must be resolute and persistent. At the same time, we also need the spirit of the foolish old man. The spirit of the foolish old man is the Chinese nation's precious spiritual wealth and the fine tradition of our revolutionary ranks. By carrying forward this type of spirit, we will be able to further develop the new situation that we have already created.

The central organs shoulder particularly heavy responsibilities in further developing our great cause. The central organs I mention here refer to departments directly under the Central Committee, the NPC, the State Council, the National CPPCC Committee and the various mass organizations, and the leading organs of various PLA general headquarters and various arms and services of the PLA under the Central Military Commission. The central organs play a pivotal role in our entire cause. Whether this pivot works well or not determines, to a large extent, the rise or fall and the success or failure of our cause. Therefore, we must firmly put forward a major political task for the central organs; that is, it is necessary to set an example for the whole country with one's own lofty spiritual outlook and fine work style.

The overwhelming majority of comrades in the central organs are good or fairly good. The achievements and victories we have scored in the first 5 years of the 1980's are inseparable from the efforts of the central organs. However, there are also some weak points and dark sides in the central organs, which have prevented a number of units and comrades in the central organs from adapting to the demands of the modernization tasks and to effectively perform their weighty responsibilities.

It has become a longstanding habit that whenever a problem arises, instead of holding the leading organ responsible, lower levels are always blamed. In most cases, it should be the opposite. Such an error should be corrected.

What are the problems that the central organs should pay attention to, and in what areas should they play an exemplary role in the second half of the 1980's? In my opinion they should mainly pay attention to the following four areas:

First, it is necessary to raise the efficiency level. An important concept we want to foster now is that we must stress efficiency in all fields. We should not demand efficiency from the lower levels alone, but should set a good example ourselves in this regard. This requires a strong sense of responsibility. The overwhelming majority of comrades in the central organs are, in general, hard working. However, comrades in a few departments have become too bureaucratic; they are inefficient and have the undesirable work style of endlessly shifting responsibility onto others.

Therefore, in order to truly become the central authorities competent assistants, all central organs should strive to eliminate bureaucratism, step up investigation and study, familiarize themselves with reality, and constantly improve their own work. It is necessary to resolutely carry out matters that are already decided upon by the central authorities and carefully mapped out by various departments, and that are assured of success. It is necessary to consult with lower levels and nonparty friends on matters that we are unfamiliar with or are not sure will succeed. New situations and problems arising in the course of implementing a policy should be promptly reported to higher authorities and studied in order to find a solution. It is necessary to keep the central authorities informed of the progress in implementing an important measure having a bearing on the overall situation, even though we are sure of its success. Only by striving to do so can we raise our efficiency level, greatly reduce bureaucratism, and have the capability to influence and spur leading organs at lower levels.

Second, it is necessary to study diligently. Along with the progress in the modernization drive, the scope of our tasks will become larger and more complex, and more and more new things will continue to emerge. In view of this, comrades in the central organs should study more diligently and constantly **improve** themselves. Honestly speaking, our knowledge, experience, and ideological levels are quite incompatible with the socialist modernization drive that is bringing about changes day after day. It is totally wrong to be even the slightest bit complacent about the knowledge and experience one has already acquired. Study and improvement should include the following two fields: Marxism, in addition to modern science, technology, general knowledge, and management and other necessary special knowledge. We must adhere to Marxism, and be firm in communist and patriotic ideals. Marxism is developing. We must oppose not only the tendency toward bourgeois liberalism, which negates Marxism and considers it "outdated," but also the erroneous tendency to consider Marxist theories as stereotyped dogmas. The quintessence of the correct attitude toward Marxism is to apply a Marxist stand, views, and methods in studying the solving practical problems confronting China; that is to better integrate the fundamental tenets of Marxism with concrete practice in China's socialist modernization program. Although we have accumulated valuable experience in our flourishing socialist modernization drive and reforms, the experience far from meets our needs. While deepening the reforms, we should more effectively absorb and master all kinds of knowledge needed for our socialist modernization drive. If the large number of comrades in the central organs, especially responsible comrades of all departments, can fully grasp both the ideological weapon of Marxism and modern science, general knowledge, and management knowledge, we will be able to more successfully accomplish the duties entrusted to us by the party and the people.

Third, it is necessary to reinforce discipline. As I have just said, the overwhelming majority of comrades in the central organs are good and observe discipline. However, due to the inroads of capitalist ideology and the damages done by the "Great Cultural Revolution," many departments lack a true sense of discipline. There are quite a few problems in this regard, such as political liberalism that spreads irresponsible statements and news spread "through the grapevine," ideological individualism that places personal interests above anything else and totally neglects the fundamental goal of serving the people wholeheartedly, or even involves crimes of abusing power to seek personal gains in violation of law and discipline; selfish departmentalism that considers only the interests of a small group or unit regardless of the long-range fundamental interests of the whole nation; favoritism through "connection" in personnel and administrative work that discards principles and behaves in unfair and dishonest ways; misconduct in foreign contacts that undermines individual and national dignity, and so forth. Although these problems involve only a handful of people, they can produce a corrosive influence on political affairs.

Therefore, it is necessary to intensify the supervision from top to bottom levels and vice versa in all central organs. At the same time, it is necessary to reinforce law and discipline to ensure that the laws are strictly observed and enforced and that lawbreakers are punished. The larger an organ the greater the power entrusted to it by the people. Comrades in such organs should observe party discipline and state law all the more strictly in order to become real models imbued with lofty communist ideals and a strict sense of discipline.

Fourth, it is necessary to strengthen party spirit. The party rectification work has been completed in the central organs, but the task of enhancing party spirit has yet to be achieved. Comrades in the central organs, leading members in particular, should always keep in mind their purpose of serving the people heart and soul and further strengthen the party spirit. Party organizations of the central organs, first and foremost the party committees and party groups of all departments, should improve inner-party life, overcome their weak and lax attitude, conduct wholesome criticism and self-criticism, pay attention to the voice of the masses of people, and subject themselves to the supervision of the broad masses, including those in lower-level departments. It is necessary to investigate the responsibility of leaders of units that are lax in discipline and work attitude, and that fail to correct prevailing unhealthy practices. On behalf of the CPC Central Committee, I announce with all seriousness that according to the party Constitution and regulations, all loyal and honest comrades, both inside and outside the party, have the right to report truthfully to the party Central Committee about serious wrongdoings by leading members of organizations at all levels including the Central Committee.

Through our earnest and unremitting efforts to carry out the aforementioned four requirements great changes will soon take place in the style of the central organs. Then, the more than 20 million government employees all over the country and the entire Chinese people will follow our example.

**Comrades in the central organs:** History has brought us to our present posts. It is an ardent hope of the party Central Committee and the people of all nationalities in the country, as well as our unshirkable sacred duty, to set examples for the whole country under the new historical conditions. We should prove, with a high degree of awareness and concrete action, that we deserve the glorious mission that has fallen upon the shoulders of the central organs.

#### Tian Jiyun Speech

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[Tian Jiyun speech at conference of cadres of central organs on 6 January: "Issues Concerning the Current Economic Situation and Reforms of Economic Structure" -- capitalized passage published in boldface]

[Text] Beijing, 11 Jan (XINHUA) -- Comrades: As reports of victories about the overall fulfillment and overfulfillment of the Sixth 5-Year Plan keep pouring in, we have ushered in the year 1986, the first year of the Seventh 5-Year Plan period. When the new year has just begun, the Secretariat of the CPC Central Committee has decided to convene this conference. Let me talk to you comrades about issues concerning the current economic situation and the reforms of the economic structure. What I mention here are my views and ideas. I would like to put them forward here so that everyone can study and discuss them. I would appreciate it very much if you comrades would offer your criticism and correct whatever is inappropriate.

THE FIRST ISSUE I WOULD LIKE TO DISCUSS IS: THE PARTY CENTRAL COMMITTEE AND THE STATE COUNCIL HAVE MORE THAN ONCE POINTED OUT THAT THE MAIN TREND IN CHINA'S ECONOMIC SITUATION IS FINE AND THAT THE COUNTRY HAS SEEN ONE OF THE BEST PERIODS SINCE THE FOUNDING OF THE NATION. WHAT IS THE FUNDAMENTAL BASIS FOR DRAWING SUCH A CONCLUSION?

All you comrades understand: To correctly understand and analyze the situation is the basis on which we work out our policies and plans. This is also the prerequisite in unifying people's ideas and mobilizing the broad masses of cadres and people to consciously implement the party's principles, policies, and plans. In assessing the situation, we must seek truth from facts and adopt the correct methods. When we size up a situation, we must take note of the main trend. The main trend in the "Sixth 5-Year Plan" period and in China's economic situation is indeed fine. It is mainly reflected in the following six aspects:

1. The entire economy has undergone a sustained, coordinated, and fairly rapid growth. During the "Sixth 5-Year Plan" period, the average rate of growth in China's total product of society, total output value in industry and agriculture, gross national product, and national income was approximately 10 percent per year. However, the average rate of growth per year during the 28 years from 1953 to 1980 was 6-8 percent. The average rate of economic growth during the 5-year period was not only higher than that in the previous 28 years, but also witnessed a trend of steady rise without any major upheaval as in the past. The rate of economic growth is an important sign in judging the situation in economic development of a nation. Many foreign friends have spoken highly of China's economic situation over the past few years. Their praise mainly consists of two points: First, China has basically solved the problem of feeding and clothing its 1 billion people. Second, it has witnessed a steady and rapid economic growth. It is impossible to develop economy without a proper speed. Naturally, we cannot go for unrealistic super speed because it cannot last very long. It would only bring about disorder in economic life. Generally speaking, the rate of economic growth during the "Sixth 5-Year Plan" period in China was fairly high, and it was basically appropriate and normal. It is not so easy to attain such an achievement, and it is the result of the joint efforts of the broad masses of cadres and people. The people of all nationalities throughout the country, including every comrade present here today, have made their own contributions in this connection.

During the "Sixth 5-Year Plan" period, China scored tremendous achievements in agriculture. Such achievements are universally acknowledged. Not long ago, we toured the rural areas of several provinces where a gratifying situation truly prevailed. These areas were full of life and people there live and work in peace and contentment. During these 5 years, the average rate of growth in total output value in agriculture was 10.8 percent per year. However, this average rate of growth during the 28 years from 1953 to 1980 was only 3.5 percent per year. It is expected that the total output value of agriculture in 1985 will reach 370 billion yuan and more, up 66.8 percent from the 1980 figure. The grain output in 1984 exceeded 800 billion jin, up 27 percent from that of 1980. The amount of grain available for each person is close to the world's average. The cotton output in 1984 reached 120 million piculs, an increase of 131 percent over 1980. We might as well look back on 1980, a year in which our agriculture was still in a very difficult situation and we had to import large amounts of grain and cotton from abroad. Now, the situation has radically changed and we are self-sufficient in grain and more than self-sufficient in cotton. With only 7 percent of the world's arable land, our country provides food and clothing for 22 percent of the world's population. This is indeed a remarkable achievement. In agriculture, last year our country achieved relatively marked progress in the production of all cash crops and diversified undertakings except for grains and cotton. It is estimated that the total agricultural output rose by about 10 percent over the previous year and the net income of peasants rose about 45 yuan per capita.

This is a remarkable progress, given the fact that it was achieved in the course of readjusting the rural production structure. Here we should make a concrete analysis of the drop in cotton and grain output last year. It is estimated that cotton output dropped 38 million dan from that of the previous year. This is mainly due to planned reduction, because in the past few years cotton output rose markedly and large amounts of cotton are kept in stock, affecting capital turnover. Voluntary reduction is good for both the state and the peasants. Certainly, unfavorable weather conditions were also a factor. Grain output is expected to have dropped by 50 billion jin from the figure of the previous year. What were the causes? First, serious natural disasters that could not be resisted. Second, readjustment of the rural production structure and reversion of farmlands to forests and pasturelands reduced the area under cultivation. Overall, this is normal. Third, in some localities, peasants became less enthusiastic for grain production. They ignored field management and practiced extensive farming. There are also some shortcomings in our work. However, we should not assess the rural situation solely on the basis of grain, nor should we assess the grain situation solely on the output figure of 1 year. As agriculture is affected, to a relatively large degree, by natural conditions, it is impossible to increase output every year. It would be very good if a relatively greater average annual increase is achieved in a period of 5 years. Our country has enjoyed good harvests in 6 consecutive years, the annual increase of grain output averaging 34 billion jin. Last year's output figure was still close to that of the big bumper harvest year of 1983. At present, the state has abundant grain stocks and the peasants have also stored some grain. We can fully guarantee market supply. Grain supply in some areas may be a little strained, but there will be no problem if we make up for their shortfalls from surpluses in other areas. It goes without saying that agriculture is the foundation and grain is the foundation of the foundation. We must not treat grain production lightly. We must take steps to enable our country's grain output to grow steadily after our achievement of 800 billion jin.

Industrial production plans were fulfilled in a way rarely seen since the PRC's founding. During the Sixth 5-Year Plan period, our country's industrial output value rose at an average annual rate of 10.6 percent, reaching approximately 820 billion yuan in 1985, up 65.2 percent over the 1980 figure. The growth of industrial development was not only impressive, but also comprehensive and steady. Changes in light industry and energy production were particularly conspicuous. In 1980, light industrial production seriously lagged behind the needs of the people's livelihood and market commodities were in short supply. The situation has changed markedly in recent years and we have more light industrial goods than before. Energy production, which was at a standstill 5 years ago, has risen steadily in the past 2 years. The average growth rates of crude oil and coal output have all reached 8 percent or more. Between 1980 and 1985, it is estimated that heavy industry grew by 55.8 percent, light industry 76.2 percent, energy output (calculated in terms of standard coal) 31 percent, the freight turnover of communications and transportation departments 42.8 percent, and the business volume of posts and telecommunications 58 percent. The annual industrial growth rates during the Sixth 5-Year period were 4.1, 7.7, 10.5, 14, and 17 percent, respectively. We can see that it is indeed sustained and steady growth.

The domestic market has become increasingly brisk and relatively great progress has been achieved in foreign trade. During the Sixth 5-Year Plan period, commodity supplies in both urban and rural areas have become increasingly plentiful. It is estimated that retail supply of commodities in 1985 doubled that in 1980, averaging an annual increase of 15 percent. The total procurement of farm and sideline produce in 1985 rose 94.7 percent over the 1980 figure, averaging an annual increase of 14.3 percent. The people's purchasing power has increased rapidly in recent years; retail sales last year doubled those in 1980, registering an average annual increase of 15 percent as against the average annual increase of 7.6 percent in the previous 28 years. It can be said that both the volume of increases and growth rates of the total procurement and sales of commodities during the Sixth 5-Year Plan were rarely seen since the PRC's founding.

The total volume of exports and imports in 1985 is expected to rise by 71.9 percent over that of 1980, increasing at an average of 11.4 percent annually during the Sixth 5-Year Plan period. The standing of China's export trade volume among various countries in the world has risen from 28th in 1980 to 16th. Although the development of our foreign trade is still incompatible with such a big country like China, we have undoubtedly achieved significant progress.

2. Major sectors of the national economy have been brought into an appropriate relationship. The relationship between the major sectors in our national economy has an important bearing on a sustained and wholesome development of the economy. For a long time, we failed to properly solve problems caused by such factors as weak agriculture, negligence of light industry, overemphasis on heavy industry, and high accumulation rate. The situation gradually improved during the Sixth 5-Year Plan period. Agriculture and light industry have developed at a relatively faster pace and bigger scale in recent years. Now the output value of agriculture and light and heavy industries each constitutes one-third of the gross industrial and agricultural output value. Remarkable achievements have been made in restructuring the rural industrial setups, with the proportion of forestry, animal husbandry, fishery, industry, and sideline production to the total agricultural output value rising from 36.3 percent in 1980 to 49 percent. In industry, the ratio between heavy and light industries has become better balanced from 57: 43 in 1978 to roughly 50 : 50 now. Among the three major industries, the proportions of the primary and the tertiary industries have gradually increased while that of the secondary industry has decreased accordingly. After several years of readjustment, the accumulation rate has decreased from 36.5 percent in 1978 to about 32 percent last year, which is still a little bit high. In short, during the Sixth 5-Year Plan period, the relationship between the major sectors of our economy has begun to move toward better coordination, which has played, and will continue to play, an active role in stimulating and ensuring the wholesome development of our national economy.

3. There has been a relatively marked improvement in economic efficiency. In developing our national economy, we pursued only output value while ignoring economic efficiency for a long time. As a result, "industry reported good news, commerce reported the bad, warehouses were stockpiles, and the state treasury was empty." During the Sixth 5-Year Plan period, we scored fairly good results in gradually shifting the focus of economic work onto raising economic efficiency. During those 5 years, the average annual growth rate of the total product of society was 10.5 percent, of national income 9.5 percent, and of financial revenues 10.3 percent, thus achieving simultaneous increase in all three fields. The per capita labor income of society (calculated on fixed price) has increased at an average annual rate of about 6 percent. Energy consumption has decreased year after year, with the energy consumption for every 10,000 yuan of national income in 1985 lowered by 20 percent over that in 1980. The increase in energy utilization rate has earned some 20 billion yuan additional national income annually. More gratifying is the fundamental improvement in our country's financial situation. Financial revenues continued to decrease in 1979 and 1980, and the revenues of 1981 remained in the red. As a result of our efforts, the decreasing and stagnation trends in financial revenues were reversed beginning from 1982, and revenues and expenditures were basically balanced with only a small deficit. At the end of 1984, we prefulfilled the target of financial revenues set for 1985 in the Sixth 5-Year Plan. The 1985 state financial revenues are expected to reach 177 billion yuan, 30.5 billion yuan more than that of 1984, or 68.5 billion yuan more than that of 1980, thereby achieving a balance between revenues and expenditures and eliminating the deficit. We would be gratified at an increase of about 5 to 6 billion yuan in financial revenues during the Sixth 5-Year Plan period. The increase of 10 billion yuan really means a big step.

Of course, it is also necessary to note that the increase in last year's financial revenues, which was a great change, should also include such factors as price hikes and increased tariffs on imported goods. Besides, extrabudgetary funds have also increased by a big margin, reaching 140 billion yuan last year. Budgetary and extrabudgetary funds totaled 317 billion yuan last year, nearly double that of 1980. This shows that our national strength has been greatly enhanced.

4. There has been a fairly big advance in the undertakings of science, technology, and education. Since the 3d Plenary Session of the 11th CPC Central Committee, the party Central Committee and the State Council have attached great importance to science, technology, and education. The annual state investment in science, technology, and education averaged 800 million yuan in the 26 years between 1953 and 1978, and reached 8 billion yuan in 1985. The proportion of capital construction in science, technology, and education to nationwide capital construction averaged 3.3 percent in the previous 26 years, and reached 8 percent in 1985. In recent years, the contingent of scientific and technical personnel has been strengthened, initial results achieved in tackling major scientific and technological projects, marked progress made in popularizing fruits of scientific and technological research, and successes scored in scientific research and technology development. The number of scientific and technical personnel (including natural and social sciences) throughout the country reached 12.3 million last year, an increase of 59.2 percent over the 1980 figure. Between 1981 and 1985, 937 inventions received state awards. A number of important technologies have approached the world's advanced level, and some have joined the advanced ranks. During the Sixth 5-Year Plan period, China successfully launched carrier rockets to the Pacific Ocean and from under-water, developed the gigantic "Yinhe" 100 million operations per second electronic calculator, and put an experimental communications satellite into its geostationary position. Schools of higher learning have expanded rapidly, with 1,535,000 college graduates and 40,000 postgraduates over the past 5 years. The number of postgraduates is 20,000 more than the total over the previous 26 years. We have taken initial steps to restructure secondary education, achieved certain progress in popularizing primary education, rapidly developed adult education, and improved the quality of teachers. While fully acknowledging that the development of science, technology, and education is still seriously lagging behind the demands of the four modernizations program, this should not obstruct us from accurately assessing our achievements in these fields over recent years.

5. The people's living standards have improved markedly. During the Sixth 5-Year Plan period, the average annual wage for workers and staff in cities and towns rose from 762 yuan in 1980 to 1,176 yuan in 1985, a net increase of 414 yuan, and an average annual growth rate of 4.7 percent after allowing for price rises; the annual per capita income in rural areas rose from 191 yuan in 1980 to 400 yuan in 1985, a net increase of 209 yuan, and an average annual growth rate of 14 percent after allowing for price rises. By the end of November 1985, the total urban and rural savings deposits had reached 158 billion yuan, a nearly 300 percent increase over the 1980 figure. During the Sixth 5-Year Plan period, jobs were given to 35 million people in urban areas and the jobless rate declined from 4.9 percent in 1980 to 1.5 percent in 1985. Consumption of the Chinese people increased at an annual rate of 1.8 percent in the 21 years between 1958 and 1978, and at about 8 percent during the Sixth 5-Year Plan period, after allowing for price rises. It is obvious to all that the people's food, clothing, and other daily necessities have been greatly improved, and so have the living conditions. During the Sixth 5-Year Plan period, living quarters covering a total of 630 million square meters were completed in cities and towns, with the per capita living space in 1985 topping that of 1980 by 1.8 square meters. Residential housing covering a total of 3.17 billion square meters were built in rural areas, with the per capita living space reaching 15 square meters.

6. The strength for developing our national economy has been reinforced. During the Sixth 5-Year Plan period, state-run enterprises and establishments invested 526 billion yuan in fixed assets, and the completed fixed asset projects were worth 368 billion yuan. They completed 469 large and medium-sized construction projects. State-run enterprises carried out more and more technical transformation projects and completed and put into operation 100,000 technical transformation projects, with a 105 billion yuan in investment. The increased output value resulting from technical transformation and improved management and operations during the Sixth 5-Year Plan period accounted for about a half of the total increase in the industrial output value. All these have not only stimulated economic development during the Sixth 5-Year Plan period, but also will contribute to reinforcing the strength for economic development during the Seventh 5-Year Plan period and beyond.

Because we have made great headway in economic reforms over the past few years, we have achieved these results in economic construction. At present, urban economic reforms are being made step by step in an overall way, and there have been great changes in all spheres. In terms of the structure of ownership, the former basically unitary system of public ownership, which is not suited to the development of China's productive force at the present stage, is gradually changing to a system of development of multiple economic forms and diversified operations on the basis of socialist public ownership. In terms of distribution, the former system of distribution, including centralized distribution, centralized management of revenue and expenditure and "eating from the same big pot," is gradually changing to a form of distribution based on one's rank and work and the combination of one's responsibility, power, and interests. In terms of circulation, the former system of unitary channel with many intermediate links is gradually changing to a system of multiple channels with only a few intermediate links. In terms of macromanagement, the former operational mechanism with direct control playing the dominant role is gradually changing to an operational mechanism with indirect control playing the dominant role. In terms of enterprise management, the former system, which does not define the duties incumbent on the government and the enterprise and which controls enterprises in too many ways and too rigidly, is gradually changing to a system that makes a distinction between the functions of the government and the enterprise, invigorates enterprises, and increases an enterprise's ability to develop itself. In terms of foreign economic relations, the former closed and semi-closed economy is gradually changing to an open economy, which effectively makes use of international exchange. In short, China's economic reforms are making headway toward the goal defined by the 3d Plenary Session of the 12th CPC Central Committee and in the direction of developing socialist planned commodity economy on the basis of public ownership. In his speech at the National Conference of Party Delegates, Comrade Xiaoping pointed out: Since the 3d Plenary Session of the 11th CPC Central Committee, we have mainly done two things. One is eliminating chaos and restoring order; the other is making reforms in an overall way. The reason why there was such a tremendous change in China's national economy during the Sixth 5-Year Plan period was that we conscientiously implemented the policy of "readjusting, restructuring, consolidating, and improving," and that our reforms produced a marked effect. To make a still greater headway in promoting our national economy during the Seventh 5-Year Plan period, we must still rely on reforms.

The CPC Central Committee's proposal for the Seventh 5-Year Plan pointed out: At present, "we have basically accomplished the task of fundamentally improving China's financial and economic situation. The national economy is now developing steadily and proportionately and enjoys the prospect of a virtuous cycle." The situation mentioned above fully shows the party Central Committee's judgment on China's present economic situation conforms to reality and is completely correct. Some veteran workers said: There are "three surprises": We are surprised that after 10 years' turmoil, our country can enjoy stability so soon; we are surprised that the economic shambles left over by the "Cultural Revolution" can be cleared away so soon; we are surprised that in a large country with a population of 1 billion people, the people's living standard can be raised so soon. These are plain remarks, but they vividly reflect China's tremendous change in these few years.

THE SECOND ISSUE I WOULD LIKE TO DISCUSS IS: AS OF NOW HOW MUCH HAVE WE DONE TO DEAL WITH CERTAIN NEW UNSTABLE FACTORS APPEARING IN CHINA'S ECONOMIC LIFE, AND WHAT ARE THE PROSPECTS?

During the Sixth 5-Year Plan period, China achieved unprecedented important results in its economic construction. However, this does not mean issues and difficulties no longer exist. On the contrary, there are still quite a few issues and difficulties. Economic work is very complicated, and questions left over by history are numerous. Economic reforms can make headway only when we continuously explore. There are all kinds of contradictions in any place, and everywhere a new question may emerge whenever an old one is solved. If you mention achievements, we may enumerate very many of them, if you mention questions, we also can enumerate many. In a word, as the old saying goes, the situation is really very good, but there are also quite a few questions indeed. In addition to some factors that have restricted China's economic development on a long-term basis and which it will still take us many years' hard work to solve step by step, a prominent question in the recent past was: Since the fourth quarter of 1984, some new unstable factors have appeared in China's economic life. Their major indications are: Industrial production has developed too fast; the scope of investments for fixed assets has been too large; consumption funds have increased too drastically; too much money has been put into circulation; and the state's foreign exchange reserve has dropped.

The core of these problems lies in the fact that the scale of capital construction investment has been too large. Since everyone is enthusiastic about capital construction, large quantities of equipment and building materials are needed. This has stimulated an ultra-high-speed development of industry, particularly the processing industry, and led to overswollen credit loans and large consumption fund increases, resulting in an all-round shortage in energy, communications facilities, and raw materials. Large amounts of raw materials and spare and component parts have had to be imported to sustain this acceleration. Moreover, more high-grade consumer products have been imported in order to withdraw currency from circulation. This has caused the foreign trade deficit to grow even bigger and the foreign exchange reserve to drop. The essence of this problem is that the distribution of national income has been excessive and total social demand has surpassed total social supply. If this is allowed to continue, the newly emerging good prospects of a self-sustained growth of the national economy would be ruined and the economy would once again be troubled by disproportionate development. This would cause extremely detrimental effects on the entire social life and make it difficult for the reform to continue.

We must pay full attention to these factors of instability in the economic life and never lower our guard and become careless. On the other hand, however, we cannot equate them with the "Great Leap Forward" of the past and try to draw a simple analogy between the two. Why, then, have these problems occurred? Generally speaking, the reasons can be found in the following three areas. The first is that our economic construction is developing while reforms are being carried out. There is no precedent for us to follow and it is inevitable that problems of one kind or another will have occurred in the course of practice. We still lack necessary experience to know how to attain micro-economic invigoration and carry out macroeconomic control, management, and adjustment simultaneously in a timely manner to keep pace with the invigoration. Second, the economic situation has been very good during these few years and becomes better each year. This has resulted in the practice of blind competition in the speedy development and one-sided emphasis on high targets. Third, the unhealthy tendencies newly emerging within the party and in society have also had some ill effects on economic development and social life.

The party Central Committee and the State Council have detected early and paid close attention to the factors of instability in the national economy. They have also adopted relatively timely and effective policies and measures accordingly. Beginning early last year, the State Council called four meetings of the provincial governors. The first, held in February, was mainly for the purpose of solving the problems of the too rapid growth of the funds for consumption and the overswollen credits. The second, held in April, focused on control of foreign exchange, the currency in circulation, and the speed of development. The third and fourth meetings, held in June and September respectively concentrated on the control of the scale of investments in fixed assets. At the same time, a number of documents were issued, which called for the combined application of economic, legal, and administrative means to strengthen macroeconomic control and management. As a result, the problems have been gradually solved or are being more successfully solved. The excessively fast speed of industrial production has been gradually reduced. Compared to the same periods of the preceding year, the monthly growth rate for last year beginning from July was respectively 20.2, 17.4, 14.5, 11.7, 8.8, and 8 percent. The estimated growth rate for the whole year is 17 percent. Now the industrial growth rate has basically returned to normal. Capital construction investment has been controlled to some extent. Beginning in August last year, the growth rate of capital construction investment has been gradually reduced. Construction of the 169 key projects of the state has been speeded up. Control of the funds for consumption is showing initial results. The amount of currency put into circulation last year was 26 percent less than the year before. The situation of receipts and payments with regard to credit is also good. The increase is relatively greater in individual savings deposits in both urban and rural areas. The export situation is developing in a favorable way and improper imports have been controlled.

In summary, we can say that the factors of instability that have appeared recently in economic life have been gradually eliminated. The overall situation is fine and the prospects are good. Of course, this does not mean to claim that all our problems have been solved. There are some problems that call for further efforts. The party Central Committee and the State Council are paying great attention to the new situations and problems emerging in the economic life. Besides, by seriously summing up the experience and lessons learned in the past from solving similar problems, they have adopted the method of mitigating and resolving contradictions step by step. In this way, we have avoided excessive economic losses and undue social shocks that may otherwise occur. Practice has proved this effective. Judging from the current situation, it remains an arduous task to limit the scale of investment in fixed assets within the confines of the state plan. The results have been very undesirable, particularly in the efforts to curb the excessively fast growth of investments in the fixed assets not included in the budget. It is also very difficult to keep the funds for consumption under control. These two are the fundamentals. Further efforts must be made to effectively keep them under control in order to consolidate and develop the fine situation on the economic front. In this respect, Comrade Ziyang already reminded us of a point in his explanation of the proposal for the Seventh 5-Year Plan. He pointed out: It is relatively better to solve the above problems in 2 years. But it is not easy to arouse everyone's attention and they would become uncontrollable should something go wrong. This is a point that calls for the special attention of leaders at all levels. Under the present conditions, it is all the more necessary for all of us to unify thinking, work in unity and concert to resolutely implement the principles and policies of the party Central Committee and the State Council, and make joint efforts to consolidate and develop the fine economic situation.

THIRD, WITH REGARD TO SEVERAL QUESTIONS ABOUT WHICH CADRES AND MASSES NOW ARE GENERALLY CONCERNED, I WISH TO STATE THE RELEVANT SITUATION AND MY OPINIONS.

1. On the question of commodity prices and price reform. A rational price system is an important condition for ensuring coordinated development of the national economy. For a long time, our country's price system has been quite irrational, and there has existed a phenomenon of unreasonable prices because we have overlooked the law of value and the role of market in doing economic work and for various other historical reasons. The reform of the price system is crucial to the success or failure of the reform of the whole economic structure. Since the 3d Plenary Session of the 11th CPC Central Committee, we have continuously taken some steps and measures to adjust the price system to a fairly great extent. In 1985, we made another important stride in price reform. We adjusted the purchase, sales, and price policy for hogs. All localities, one after another, lifted the price control on vegetables and other perishable nonstaple goods. The prices for buying and marketing grain in rural areas were also adjusted, and the freight rate for short-distance railway transportation was raised. The unified and fixed state purchase system for grain, cotton, and other main agricultural products was abolished and replaced by a contract purchase system. Products not covered by contracts may be marketed by the peasants on their own at current market prices or sold to the state at the protective prices [bao hu jia 0202 6233 0116]. As for such important means of production as raw and semifinished materials and fuels, basically no change was made in the prices for planned distribution, whereas a floating price system was put into effect for the part sold by the enterprises on their own according to the established regulations. The prices of small commodities were no longer controlled but were regulated instead by market conditions.

In general, our country's price reform has progressed smoothly. The situation of the reform is normal, and results are obvious. The price system as a whole is being properly adjusted step by step and is changing in the direction of rationalization. In this way it plays a vital role in promoting industrial and agricultural production and the flow of commodities, invigorating the market, and bringing about a prosperous economy. The reform of prices of agricultural products has further stirred up the initiative of producers and dealers, thus promoting the development of the rural commodity economy. This is obvious to all. In the past, peasants felt that it did not pay to raise hogs, resulting in slow development of hog production. After control of the hog purchase price was lifted in various localities, hog production has developed fairly quickly, and there has been an increase in pork supply. For a long time, our country had insufficient coal supply to meet the demand, with the result that the price of coal not included in the plan continued rise. Recently, the contradiction between supply and demand has been alleviated conspicuously, and the market coal price has gradually come down. Supplies of light industrial products, including textiles, are also comparatively plentiful on the market. All of these are inseparably linked with what we have done in making gradual and reasonable price adjustment.

In the course of price reform, the magnitude of rising prices in our country has been greater than before. This is a fact, but at the same time the people's income has increased because the price adjustments have stimulated the economic development. Viewed as a whole, the magnitude of increase in the people's income is more than the rise in prices. During the Sixth 5-Year Plan period, the commodity price index rose by 18.7 percent, while the average per capita income of staff members and workers was up 68 percent, and the net income of each peasant increased 109 percent on the average. Many comrades hold that commodity prices have certainly risen, but there has been, indeed, an improvement of living standards. This view is rather objective and conforms with the real situation.

To sum up, on the question of commodity prices and price reform, first, it is imperative to reform the present price system in our country. Otherwise, it will be impossible to bring the relations of various economic sectors into harmony and to make a sustained and healthy development of the whole national economy.

The numerous problems in our economic life will not be overcome but on the contrary will become more acute. From a long-term point of view, this is harmful to both the development of the economy and the improvement of the people's living standards. Second, the reform we have carried out in this regard since the 3d Plenary Session of 11th CPC Central Committee is by and large successful if viewed as a whole, though problems of one kind or another still exist in actual work. The above two points are our basic understanding of the question of commodity prices and price reform. Only by upholding this understanding can we have firm confidence in achieving still better results in reforming the price system. This is of great importance. In the meantime, we must note that if we regard the rise in the commodity price index as basically normal during the years from 1981 to 1984 of the Sixth 5-Year Plan period, then in 1985 there was indeed a problem of too large a rise in the commodity price index. The State Statistical Bureau estimates the national average of the rise in the 1985 commodity price index at 9 percent. Moreover, we cannot just look at the average figure because the rise in the commodity price index is higher in cities than in the countryside, and it is even higher in big cities like Beijing. Thus, a sizable part of the increased income of the masses was offset by the rise in commodity prices, the effect of this being more remarkable on those families and individuals without a big increase in income. With regard to this state of affairs, the masses have many comments and complaints. This is entirely understandable.

Why was there a relatively big rise in the commodity price index last year? According to our analysis, there are the following reasons: One is the structural adjustment of the price system. This was an adjustment from the initiative to straighten out the price system. The second reason is that since that fourth quarter of 1984, the scale of capital construction had been too large, the rate of industrial production growth too high, the increase in the consumption funds too big, and there had been too much money put into circulation. For many commodities, supply could not meet demand. This resulted in the rise of commodity prices. The third reason is that decontrol of the prices of most farm and sideline products and the rise in the prices of means of industrial production not included in the plan resulted in the hike of prices of some consumer goods. The fourth reason is that our concrete work had certain shortcomings. Most striking is the vegetables problem. In some big cities, after control over vegetable prices was lifted, no corresponding work was done promptly to cope with the situation, resulting in a big increase at one time in the price of some popular vegetables. The fifth reason is that quite a few industrial and commercial enterprises and individual businessmen violated the state policy to raise prices indiscriminately or to effect price hikes in disguised form. Although we grasped this problem, our work was not efficient in exercising supervision and conducting checkups.

The CPC Central Committee and the State Council have paid great attention to the problem of excessive price hikes since last year and have been taking a series of measures to resolve it step by step. Last year we strengthened the macrocontrol over the scale of capital construction and over consumption funds. This was not only a major measure of eliminate a factor for instability of the national economy, but also a fundamental way to radically control price hikes. To solve the problem of high vegetable prices in big and medium cities, we set the requirement that a certain acreage of land in the suburbs must be used for vegetable growing, and state-run commercial units had to assure sources of supplies of most of the popular vegetables so as to make supply adjustments and to lower vegetable prices. If necessary, ceilings should be set for certain staple vegetables prices. As for important means of industrial production not included in the plan, ceilings have set to limit their floating prices. At the same time, effective measures have been adopted to strengthen the check, control, and supervision of commodity prices.

After taking into consideration state financial capability, the enterprises' digestive ability, and the masses' ability to bear the burden, the State Council has decided that the main task of the 1986 price reform is to let all concerned digest and perfect the measures that have already been put into effect so as to keep the general commodity price level basically stable. It is our belief that with the strengthening and improvement of macrocontrol and the implementation of various concrete measures, we will be able to control the rise of the commodity price index strictly within a certain limit. Of course, a certain period of time is required for us to basically straighten out the price system of our country.

2. On the question of wage reform. State organs and institutions have proceeded with wage reform since the second half of last year. They have put into practice a wage system based mainly on wages related to work posts, thus taking an initial step to draw the wage system into a new orbit. Through this wage reform, the wages of all comrades have been raised to a certain extent, and the problem of inappropriate reward for one's work or for one's function and grade has been corrected to some degree. Because the reform plan was studied repeatedly, consideration was given to the situation, in all fields if possible, and the broad masses of personnel of state organs and institutions take into account the interests of the whole. The work of reform, on the whole has progressed rather smoothly. However, the new wage system is certainly imperfect in some respects. This year we must stress resolution of two issues: One is to solve the prominent unreasonable problems left from the past. The other is to establish and make perfect a system covering a series of technical work posts. This issue is more complicated than the establishment of the system for administrative work posts, and we have an even less sound foundation for doing this work. It is, therefore, necessary to make in-depth and meticulous studies, organize a work force to do well in formulating plans, and put the plans into practice one by one as and when conditions are ripe.

On enterprise wage reform, most enterprises still adopt the policy of basic wages plus bonuses, and draw the bonus fund from profits. In addition, the minimum taxable amount of a bonus is raised from 2.5 months' standard wages to 4 months' standard wages. As a result, most workers' incomes increased compared with the previous year. A few enterprises have tentatively adopted the policy of integrating the total amount of wages with their economic results. This is a correct orientation. However, the practical experience of the pilot enterprises in the past 6 months and more has shown that this policy is more complicated than originally anticipated. This is mainly because China's present price system is unreasonable, enterprises' objective conditions are quite different, reform measures are not very systematic, and a wide gap exists between different trades and different enterprises in terms of incomes. If we cannot formulate a complete set of scientific and reasonable regulations, we will not only fail to resolve questions existing in the original wage system, but may also face new contradictions. Therefore, we must be quite prudent while solving this question. The number of pilot enterprises will not be increased this year.

Because of various historical reasons, our country faces too many accumulated questions concerning wages. It is impossible to resolve them once and for all. Because China has only limited financial resources, an immediate and large wage increase is also out of the question. We can only proceed from actual conditions and resolve them step by step. Ours is a vast country with a large population and a poor foundation to begin with. On the one hand, our employment rate is very high; on the other hand, our production efficiency is very low. Only after we all make common efforts for a longer period of time will it be possible to raise workers' wages still faster. This has been determined by the basic condition of our country.

A few years ago, the increases of China's consumption funds and outlay for workers' wages surpassed the increases of national income and labor productivity. That was sort of repaying a debt owed in the past and was necessary. In the future, our workers' wages will certainly increase step by step along with economic development. However, the margins by which consumption funds and workers' wages increase should not be larger than those by which national income and labor productivity increase; otherwise, China will lack staying power for its economic development and even become prematurely senile, with its commodities unable to compete on the international market. This is not in the fundamental and long-range interest of the people. In addition, state organs, institutions, enterprises, and different trades and units are competing with one another in increasing wages and issuing bonuses, and the situation is quite serious. Regardless of their conditions, their contributions, and their different economic results, those with lower wages and bonuses all want to keep up with those with higher wages and bonuses. Such mutual competition will inevitably cause wages and bonuses to soar by turns. Loss of control over consumption funds is very harmful to the development of the national economy and will produce grave consequences. This is an important issue that we must seriously resolve at present.

3. On the question of the gaps between incomes of various members of society. Today, more and more people are talking about this question. The crux of the question is whether the following situation exists: In rural areas, the income of a person who grows grain crops is much lower than that of a person who engages in industrial or sideline production or business. As a result, in some places peasants' enthusiasm for planting crops drops. In cities, gaps between trades and units in terms of income are very large. Incomes of some individual economy households are too high. Some people use illegal means to make wanton profits. The masses have seriously criticized such a phenomenon.

How should we view this problem? First of all, we should affirm that the principle of distribution according to work must be adhered to and we must do away with the egalitarian ideas and the practice of "eating from the same big pot." Egalitarian ideas are a grim obstacle to the practice of the principle of distribution according to work. To practice egalitarianism and eat from the same big pot will make it impossible to mobilize the enthusiasm of the masses and realize a speedy development of the productive forces and it would also be impossible for the people to gradually become wealthier. The party Central Committee's policy to permit and encourage some people to become wealthier first is a correct one. It will not do if we practice egalitarianism in our efforts to become wealthier. Common affluence is not the same as attaining the same degree of affluence at the same time. Historical experience shows us that the result of seeking the same degree of affluence at the same time inevitably leads to egalitarianism and common poverty. However, we must at the same time also prevent the income gap between different members of the society from getting too big. We are a socialist country and our distribution must be fair and reasonable. Otherwise, if the income of a minority of the people is too high and unreasonable it would affect enthusiasm of the majority for production and work and have an adverse effect on stability also. At present, there have been fairly frequent complaints among the people about the "10,000-yuan households." We must analyze this question in a concrete manner also. We should see, first of all, that the 10,000-yuan households in rural areas are extremely small in number. We were a little divorced from reality in our propaganda work in the recent past, in which the impression people had seemed that such 10,000-yuan households were all over the place. In reality, they were not that many. Second, their incomes that are generally referred to are gross income and income of the entire household. Their business operations have certain risks. They are not like wage earners who enjoy such remunerations as collective welfare and labor insurance. Therefore, it is inappropriate to advocate and encourage the pursuit of the goal of "10,000-yuan households."

To deal with the problem of income gap between different members of the society that now exists to some extent, the state will take measures respectively in accordance with the different conditions to gradually make necessary adjustments. At present, there is a relatively bigger income gap in the rural areas between those who plant crops and those who engage in industrial, sideline, or commercial undertakings. And it is impossible to raise the price of grain crops to the extent where the income of the crop growers will become comparable to that of those working for industrial and sideline production. At the recent conference on rural work convened by the party Central Committee, it was decided that a policy of subsidizing agriculture with industry would be adopted. What this policy calls for is that, in addition to an appropriate increase of the state investment in agricultural capital construction, the various provinces, prefectures, counties, and townships and towns should all take a portion of the money out of their local financial surpluses and from the increased tax payments made by the town and village enterprises to support agriculture, particularly crop growing, pig raising, and vegetable growing in the suburban areas of large and medium-size cities. With regard to the overly big income gap between different trades or units, the state is prepared to gradually solve the problem by adopting such measures as readjusting tax rates and prices. As for individuals with too much income, the state plans to regulate through such methods as perfecting the tax system to institute the progressive taxation for individual income. At the same time, we will gradually establish or perfect various kinds of social protection systems. We will also continue to strengthen the administrative control of industry and commerce and guide individual industrial and commercial businessmen in the urban and rural areas to adhere to the policies of the state to operate proper businesses and make reasonable income. With regard to the practice of resorting to all kinds of illegal means to reap staggering profits, our policy is very clear; that is, we will resolutely crack down on such practices, sternly handle them, confiscate all illicit income, and deal with them according to law where it is called for.

Furthermore, because of different natural conditions and imbalanced economic development, the current clothing and food problems of tens of millions of the population in our country's rural areas have not been solved. The state and the localities where economy is relatively better developed should provide these areas with the necessary support in funds, supplies, talented personnel, technology, and other aspects to help the masses there develop production and solve the clothing and food problems. At the same time, it is imperative to continue to adhere to the policy of encouraging some of the areas to get rich first, thereby creating favorable conditions for strengthening the entire country's economic power. In developing the areas, it is also inappropriate to even up the poor and rich; otherwise, no one can make any progress.

4. On the question of opening to the outside world. Since the 3d Plenary Session of the 11th CPC Central Committee, we have conscientiously implemented the policy of opening to the outside world and have scored relatively better achievements. Over the past few years, our country has imported thousands of technologies and key equipment, a considerable number of which were of relatively advanced international standards. As of September 1985, approximately \$20 billion in foreign exchange had been used through various methods; and 1,800 enterprises of Chinese-foreign joint venture, 3,308 enterprises of cooperative management, and 109 enterprises with foreign investments had been established. The utilization of foreign capital has played a positive role in cooperative offshore petroleum prospecting and exploitation, in strengthening energy and transport activities, and in other key construction projects. Through importation of technologies and Chinese-foreign joint ventures, the technological and management levels of many enterprises and trades have been markedly raised. In developing the national economy and in undertaking modernization, it is impractical to pursue a closed-door policy. It is a fact that both the developed and the developing countries have paid attention to utilizing international exchange to fully absorb each other's strong points in order to speed up their economic and technological developments.

The main purpose of our implementation of the policy of opening to the outside world is to import advanced technologies and management experiences from abroad, and also to utilize some capital from abroad at the same time. All these activities are intended to raise the level of domestic production, strengthen our country's ability of self-reliance, and save time to speed up the progress of modernization. We should notice that the present proportion of the joint-venture enterprises and cooperative enterprises run with foreign capital, as well as enterprises totally financed by foreign merchants, in our country's national economy is still considerably small and will not affect the development of our country's national industry. Based on the results of practice over the past few years, it is foreseeable that the implementation of the principles of importation, digestion, exploration, and creativity, on the basis of independence and self-reliance, will certainly further speed up the technological progress in the various departments of our country's national economy and promote a faster and better development of our country's national industry. Of course, we should notice that some problems also existed in actual work in the past few years. For instance, some departments, localities, enterprises, and individuals have despised domestic products and blindly pursued foreign goods; improper duplicate importations have occurred, such as excessive number of color television sets and refrigerator assembly and production lines; some utterly unadvanced technologies and equipment have been imported; competitions for importation have taken place among many units and they have brought losses because of increased prices; and so on and so forth. However, all these were implementation problems, which were also related to the lack of experience and improper management. With regard to such problems, we should conscientiously draw lessons from them and correct them so that we may do a still better job in expanding economic relations, trade, and technological intercourse with foreign countries.

With the implementation of the policy of opening to the outside world, the corrupt, outdated capitalist ideology and lifestyle will also inevitably intrude into our society and corrode people's ideology. Practice in the past few years has proved this point. Some ugly things, which have long since disappeared after the founding of our country, have reemerged and come back to life. Despite the fact that these things have reemerged only in a small number of localities on a small scale, they should merit our high vigilance and should be stopped by resolute measures so that they are nipped in the bud. In consideration of the entire country's economic development and long-term interest, it is imperative to carry out the policy of opening to the outside world in spite of the emergence of ugly things. We should have confidence in ourselves and should be confident that our party and state are fully capable to control the side effects and keep them to the minimum by adopting and implementing correct policies and measures.

Ever since the implementation of the policy of opening to the outside world, the party Central Committee and the State Council have repeatedly stressed the necessity of adhering to the four basic principles; to the "four haves" education of ideals, morality, culture, and discipline; the strengthening of ideological and political work; and the persistence in building two civilizations at the same time. One of the aims of these repeated stresses is to constantly raise the socialist awareness among the broad masses and cadres and to raise the capability to resist the corrosive and decadent capitalist thought. We believe that if we seriously follow the instructions of the party Central Committee and if we adhere to the "two hands" policy; that is to say, adhere to opening to the outside world on the one hand, and under the above premise, persistently resist the corrosive and decadent capitalist ideas and life style on the other; then the corrosive and decadent capitalist ideas are unlikely to spread unchecked in our country. As for some very few people who are corrupted by bourgeois ideology and even become morally degenerate, that is hard to avoid. Everybody knows that if we even did not carry out the policy of opening to the outside world, the same thing would have occurred. All in all, we should resolutely resist, prevent, and overcome the corrosive and decadent capitalist ideas and unwaveringly carry out the determination of opening to the outside world.

FOURTH, LOOKING BACK TO THE PRACTICE OF ECONOMIC STRUCTURAL REFORM IN THE PAST SEVERAL YEARS, I WOULD LIKE TO TALK A BIT ABOUT SEVERAL QUESTIONS OF UNDERSTANDING RELATING TO FURTHER DOING A GOOD JOB IN REFORM.

It has been 7 years since the 3d plenary Session of the 11th CPC Central Committee, which initiated China's economic structural reform. Generally speaking, we have achieved great results. In the transitional process of the old economic structure to the new, it is unavoidable that some problems might exist. Looking back to the practice of the past several years, we get a better view of things little by little.

1. We should be fully aware that our reform is that of socialist economic structure. From the very beginning of the reform, our party explicitly pointed out that our reform is in no way a negation and vacillation of the socialist system, but a self-perfection and development of the socialist system. Will our reform lead to capitalism? This is a problem about which many of our domestic comrades and foreign friends are concerned. Our reply is: Absolutely not. Seen from the practice of several years, our reform will not deviate from socialist orientation if we hold fast to the following points. The first is to adhere to the public ownership system of means of production as the basis. Individual-owned, joint-ventured, and foreign-owned economies have seen a relatively big development in recent years. However, their industrial output value only constituted a mere 0.6 percent of China's gross industrial output value. Socialist public ownership system economy still plays an absolute dominant role. The second is to adhere to distribution according to work, take the road of common prosperity, and guard against polarization. In recent years, the ratio of high-income peasant households increased while that of low-income households decreased. Both income levels of high- and low-income peasants were generally raised. The difference between incomes of peasants and staff members and workers has narrowed. The same tendency also showed in incomes of staff members and workers. Even though we start from now on to pay attention to solving the problem of extreme disparity of income among social members in our practical work, it cannot be said that there is already the phenomenon of polarization. The general trend of the society is on the road to common prosperity. The third is what we are developing is socialist planned commodity economy which is fundamentally different from capitalist commodity economy. We lifted control over many commodities in recent years; but we retained planned regulatory control on major commodities that affect people's livelihood and on major economic activities that concern overall situation. We will still persist in doing so in the future. Here we must point out that the carrying out of planned economy does not necessarily have to make mandatory planning as its center. Mandatory planning and guidance planning are all specific form of planned economy. Of course, there has to be a process of step by step exploration and perfection to practice a guidance plan. The fourth is that all reforms should favor the promotion of the development of social productive force. This is the fundamental view of Marxism and also the fundamental task of the socialist system. Reform in the past several years has greatly promoted the development of national economy and further reinforced the foundation of socialist economy. The fifth is that we must adhere to starting out from actual domestic situation. We must continuously and seriously study advanced technologies and management experience from foreign countries. However, we should resolutely resist and eliminate those decadent and reactionary ideas. All in all, we did so in recent years, thereby adhering to socialist orientation. We will still be persistent and tireless in so doing in the future.

2. It is necessary to understand correctly and handle seriously the relationship between reform and construction. During the Seventh 5-Year Plan period, China has two major tasks in its economic work. One is to carry out well the reform of the economic structure, and the other is to develop the national economy. In what order should we undertake these two major tasks?

The Central Committee's proposal for the Seventh 5-Year Plan has clearly and definitely pointed out that we should give priority to reform. This is a completely correct policy decision. Reform and construction should coordinate with and promote each other. In essence, reform serves economic construction, and both reform and construction are for the purpose of developing the productive forces and consolidating and perfecting the socialist system. For now and for some time to come, economic construction should be designed to advance reform smoothly. In order to keep a steady and coordinated development of China's economy in the next several decades, we must carry out an overall reform to set up a new economic structure, harmonize economic relations, and firmly lay a good foundation. This is a strategic step to strengthen the basis for further economic development and create even better conditions for steady economic development henceforth. In this regard, we should have foresight and think of the future. We should not consider only the present to seek a high growth rate, nor should we blindly expand the scale of capital construction. We should create a relatively relaxed economic environment and a good social environment for reform.

3. We should clearly know that reform is a process of step-by-step progress. The reform of the economic structure is a huge systems engineering project that must be carried out step by step coherently in correlative stages. Therefore, we should display full political enthusiasm and a high degree of revolutionary spirit, and we should pioneer and advance indomitably. At the same time, we should be realistic and should not act with undue haste. All major reform measures concerning the interest of the whole must be tested first to gain experience, and then be carried out step by step. We took a very big step in reform last year. What should we do this year? After serious study, the State Council and the Central Financial and Economic Leading Group recently decided that our major tasks this year are to strengthen, bring into play, supplement, and improve existing reform measures; solve relevant conspicuous problems; keep the advantages and eliminate the disadvantageous; and make the reform measures yield better results. They also decided that we should carry out thoroughgoing investigations, studies, and experiments and make proper preparations for the next year's reform to take a new step forward. We should know that it takes some time for the reform to show its effects. We should not expect today's reform to yield effects overnight. As our various reforms are progressing unevenly, some will yield effects faster than others, and chances are that still others will not show their effects at all until several years later. Some major reform measures are not only for the present economic development, but they have an even more important purpose -- to facilitate further economic invigoration. We should judge things with a view toward development and long-term interest. We should not expect everything to yield quick results, nor should we assume such an attitude in commenting on the reforms with regard to their success and failure, or expect today's reform to bring everyone huge benefits overnight. On matters that are of vital interest to the masses, we should not make casual promises. Our deeds should be more than our words. There are things that we should do, but we need not talk about them. Only in this way can we live up to the masses' expectations. When we say that reform is a process of step-by-step progress, we of course are not encouraging slow actions for doing things. We should never delay a reform for which the conditions already exist, and we must seize every opportunity to accelerate the reform.

4. It is necessary to correctly handle the relations between the macroeconomic control and the microeconomic control. Judging from the practice of reform of the economic structure over the past few years, if we want to ensure that reform is carried out in an orderly manner, we cannot merely destroy without building. We must organically integrate destruction with construction. To what extent the microeconomic sphere should be relaxed will be decided by the ability to control the macroeconomic sphere. As long as there is the lack of control and management measures in the macroeconomy, the microeconomy should not be hastily relaxed. Otherwise, chaos can easily occur.

While enlivening the microeconomy, it is imperative to strengthen the macroeconomic control, coordination, and management. It is incorrect to maintain that relaxation and enlivening belong to reform and that strengthening management does not. It must be made clear that the relaxation and enlivening of the microeconomy and the strengthening of the macroeconomic management and control are two aspects in the reform of the economic structure that mutually support each other. They are both important contents of the reform, neither of which is dispensable. The more the economy is enlivened, the more necessary macroeconomic control and management become. This year we should not only continue to strengthen macroeconomic control, but also conscientiously improve such control. Macroeconomic control should be proper, neither too tight nor too loose. Only through proper control can national economy be healthily developed. With the deepening of reform, the stress in economic management will be shifted from direct to indirect control. What needs to be made clear is that, currently, it is especially necessary to pay attention to further strengthening and perfecting the economic regulating measures, and perfecting and intensifying economic legislation and economic judicial work. At the same time, it is necessary to notice, that, before the indirect control system becomes perfect, necessary administrative measures and direct control should not be weakened. Even after the indirect control system becomes perfect in the future, necessary administrative intervention and direct control by the government will still be indispensable.

5. It is necessary to correctly handle the various contradictions and problems emerging in the course of reform. In the course of arduous and complex reform of the economic structure, there will be all kinds of contradictions. To deal with these contradictions it is imperative to adopt correct methods to handle them properly. With regard to those who understand reform differently, it is inadvisable to coerce them to have the same understanding sooner or later and to act at their own pace. It is especially necessary to pay attention to using typical demonstration methods to give positive guidance. The adoption of such a method has produced fine results in our rural reform. The overall reform of the economic structure is, in a sense, a readjustment of power and interest, in which a large amount of contradictions exist. Among them, there are contradictions between the central authorities and the localities; between the state, the collective, and the individual; between one department and another; between one locality and another; between departments and localities; and so on and so forth. In handling these contradictions, it is necessary to implement the principle of proceeding from the whole situation and making overall plans with all factors taken into consideration. Only by perfectly handling the various kinds of contradictions in the course of reform can the enthusiasm of all spheres for carrying out the reform be aroused and protected, and can the consolidation and development of a political situation in which there are stability and unity be promoted at the same time. And, needless to say, any violations of law and disruptions of discipline must be sternly handled according to party discipline and state law.

The main thing that reform will bring is an economic structure with vigor and vitality, but some negative things will also inevitably emerge. For instance, the main thing our enlivened circulation will bring is an unprecedented active commodity economy, but speculation will also emerge at the same time. We should not allow ourselves to suspect the reform and waver because of the emergence of some negative factors in its course. Reform is a very complex matter, which also has no fixed form for us to follow. To avoid, or reduce, mistakes as much as possible, especially big mistakes, is what should and can be done. However, it is very difficult not to make any mistakes. Problems emerging in reform can only be solved by further perfecting the reform, and retrocession should never be allowed. We must adhere to the principle and orientation of reform; carry forward the spirit of positive creativity; boldly and courageously probe and advance the practical steps of reform, in order to ensure success of the overall reform.

Comrades, the proposal of the party Central Committee for the Seventh 5-Year Plan has put forward to the people of the whole country the grand objectives of reform and construction. This is an important event in China's political and economic life, marking a new and important milestone for our socialist construction. We must respond to Comrade Yaobang's call for "working together for a splendid future," do more solid work in all fields this year, make a good start of the Seventh 5-Year Plan, ensure the plan's successful fulfilment, and take a new step on the road to the country's prosperity and the people's well-being and happiness. This will yield important effects on China's steady economic development, on continued improvement of the people's livelihood, on our economic invigoration and prosperity in the 1990's, on successful accomplishment of our grand objectives by the end of the century, and on our approaching and catching up with developed countries in economy and technology by the time we mark the 100th founding anniversary of the People's Republic. Although we still have all sorts of difficulties, we are full of confidence in our future because our whole party has an identical understanding, our party and our state have formulated adequate principal and auxiliary policies, the structure of our cadre force has become rational, we have laid a more solid material foundation, and we have had even more favorable international conditions. If we resolutely implement the correct line, principles, and policies of the party Central Committee, unite as one and work hard, we surely can successfully fulfill the Seventh 5-Year Plan of great significance, and the Chinese people will surely have an even brighter and more glorious future.

#### 14TH NPC STANDING COMMITTEE SESSION CONVENES

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[Text] Beijing, 10 Jan (XINHUA) -- The 14th Session of the 6th NPC Standing Committee opened this afternoon in the Great Hall of the People. Vice Chairman Chen Pixian presided over today's meeting.

Wang Hanbin, secretary-general of the NPC Standing Committee explained the draft agenda for this session. Then the agenda was adopted. According to this agenda, the main task of this session is to examine a draft resolution on convocation of the Fourth Session of the Sixth NPC, and draft laws, bills, and reports. Explanations on these draft laws and several reports on visits to foreign countries will be heard at the session.

Participants at today's meeting heard a report by Xiang Chunyi, vice chairman of the NPC Law Committee, on the results of examination of a draft fishery law of the People's Republic of China; an explanation by Zhao Weichen vice minister of the State Economic Commission and deputy head of the Leading Group in Charge of Sea, Land, and Air Ports under the State Council, on a bill submitted by the State Council and the Central Military Commission requesting approval for opening the port of Nanjing to foreign vessels; a report by Liao Hansheng, vice chairman of the NPC Standing Committee and chairman of the Credentials Committee on the examination of the qualifications of new NPC deputies elected to fill vacant posts; and a report by Shen Hong, vice chairman of the NPC Law Committee on the results of the examination of deputies' motions submitted to the Law Committee by the Presidium of the Third Session of the Sixth NPC.

Xiang Chunyi said: The Law Committee deems it highly necessary to enact a fishery law in order to step up the work of protecting, increasing, developing, and rationally exploiting our fishery resources, to promote aquiculture, to safeguard fishery producers' legitimate rights and interests, and stimulate the development of the fishing industry. Basically, the draft fishery law is feasible. Meanwhile, the Law Committee has made suggestions to revise some points in the draft law, with a view to further implementing the principles of "opening, invigorating, and managing well," and actively developing our fishing industry.

The State Council and the Central Military Commission submitted a bill to this session requesting approval for opening the Port of Nanjing to foreign vessels. The bill said that, in order to further implement the policy of opening to the outside world and invigorating the domestic economy, exploit the favorable conditions for developing water transport on the Chang Jiang, promote the economy, trade, and tourism in the provinces along this river, and alleviate the heavy workload at the Port of Shanghai, the State Council and the Central Military Commission proposed that the Port of Nanjing be opened to foreign vessels. Entrusted by the State Council and the Central Military Commission, Zhao Weichen gave an explanation of this bill. He said: Located in the lower reaches of the Chang Jiang, the Port of Nanjing is 380 km from Wusong Kou. With convenient land and water transport facilities and good conditions for collecting and distributing commodities, it is the largest inland river port and an important hub of land and water transport, as well as through transport by the Chang Jiang and the open sea and by the Chang Jiang and other rivers. If the Port of Nanjing is open to foreign vessels, the volume of foreign grade goods handled there will further increase.

In his report on the examination of qualifications of new deputies, Liao Hansheng said: Among the deputies to the Sixth NPC, 18 died and 3 were disqualified by their electoral units after its third session. In addition, 10 deputies died before the third session, and their vacancies have not yet been filled. Altogether, 31 new deputies should be elected to fill the vacant posts. During this period, 20 deputies have been elected by the original electoral units. The Credentials Committee has examined the qualifications of these new deputies, and the results of the examination show that they are all qualified. Now, there are 2,967 deputies to the Sixth NPC, and 11 more have yet to be elected by the original electoral units.

Reporting on the results of examination of deputies' motions submitted to the Law Committee by the Presidium of the Third Session of the Sixth NPC, Shen Hong said: The Presidium of the Third Session of the Sixth NPC passed to the Law Committee 12 motions by deputies for examination, to decide if they should be included in the agenda. Based on their content, the Law Committee studied these motions with the departments concerned and held a meeting on 30 December 1985 to examine them individually. It is suggested that these motions not be included in the agenda of the session of the NPC or its Standing Committee, but be treated as proposals by deputies and transmitted by the General Office of the NPC Standing Committee to departments concerned for study and handling.

Also present at the meeting were Vice Chairmen Geng Biao, Peng Chong, Bainqen Erdini Goigyi Gyaincain, Seypidin, Yang Jici, Rong Yiren, Ye Fei, and Huang Hua.

Attending the meeting as observers were Zhang Jingfu, state councillor; Zheng Tianxiant, president of the Supreme People's Court; and Yang Yichen, procurator-general of the Supreme People's Procuratorate.

XINHUA CALLS FOR CRACKDOWN ON SERIOUS CASES

OW101058 Beijing XINHUA Domestic Service in Chinese 1135 GMT 9 Jan 86

[XINHUA commentator's article: "Resolutely and Rapidly Crack Down on Serious and Important Cases" -- XINHUA headline]

[Text] Beijing, 9 (XINHUA) -- The Central Discipline Inspection Commission recently issued a circular calling for all provincial, autonomous regional, and municipal discipline inspection commissions to resolutely and rapidly investigate and deal with serious and important economic cases. In some places, action has been taken and people are filled with great enthusiasm. Many people cheerfully said: Now that party discipline and state law are being safeguarded, party style and the general mood of society certainly will improve fundamentally.

Over the past few years, our national economy has entered a new period in which development has been most vigorous. Our party style and the general mood of society have also improved step by step. The main trend is good, but we must not underestimate the many problems that still exist. It is true that some of our cadres have violated party and political discipline, and have gravely disrupted party style and the general mood of society. A few of our cadres have even broken criminal law and degenerated into criminals involved in grievous economic cases. It is necessary to resolutely and rapidly crack down on these people, particularly on those who have committed serious crimes. Only by doing so can we frighten bad persons, educate the masses, safeguard the solemn nature of party discipline and state law, fundamentally improve party style and the general mood of society, and guarantee the smooth progress of reform and the consolidation and development of stability and unity.

The main reasons why serious and important cases are not effectively investigated and dealt with in some places and departments are: First, some leading cadres are under the evil influence of bureaucratic thinking. They not only fail to seriously study and implement the relevant directives of the party Central Committee, but also fail to make investigation and study. They are indifferent to matters of prime importance such as cracking down on serious and important cases. Second, some leading cadres are afraid to stir up a hornet's nest. They also are eager to crack down on cases, but once they get to work, lobbyists gather around them and exert pressure upon them in one way or another. Then they give way to these lobbyists and cease all activities. Third, some leading cadres are too kind-hearted and soft-handed to take action while investigating and dealing with serious and important cases. They appease and excuse those who are so-called "meritorious," "capable" cadres and let them pass. Fourth, some leading cadres are afraid to draw fire against themselves. Because they themselves are involved in serious and important cases, they simply cover up the truth; suppress, resist, and delay the handling of cases; or turn big cases into small cases and small cases into no cases at all.

All this shows that the key to whether serious and important cases can be resolutely and rapidly investigated and properly dealt with continues to lie with the leading cadres at all levels. If our leading cadres can fully understand the great significance of investigating and dealing with serious and important cases, uphold principle, firmly grasp policy, and break through all kinds of illicit connections, the task of cracking down on serious and important cases can certainly be resolutely and rapidly carried out.

To resolutely and rapidly investigate and deal with serious and important cases, we must take the mass line. Although we are not launching a mass movement, we must rely on the masses. We must rely on the masses' enthusiasm for struggle against the phenomenon of violating law and discipline. In fact, only after the personnel handling cases have fully coordinated themselves with the masses can many serious and important cases be cracked.

Law breakers and discipline violators are most afraid of the masses. Therefore, we must protect and support the masses' enthusiasm for struggle against lawbreaking and discipline violation and pay great attention to the masses' exposure of lawbreakers and their information about them.

To resolutely and rapidly crack down on serious and important cases, we must also develop the spirit of going in hot pursuit and grasping matters to the finish. We must not grasp a case and then slacken efforts in cracking it. We must not handle a case halfway, or delay the handling of a case. We must investigate all cases thoroughly, and deal with all cases that have been thoroughly investigated.

Of course, by calling for resolutely and rapidly cracking down on grievous cases, we do not mean raising a hue and cry and taking hasty action. We must investigate cases in a thoroughgoing and painstaking way on the basis of facts and in accordance with law, so that our task of cracking down on serious and important cases can proceed resolutely, rapidly, and effectively.

#### RENMIN RIBAO COMMENTATOR ON INDUSTRIAL SURVEY

HK100543 Beijing RENMIN RIBAO in Chinese 3 Jan 86 p 1

[Commentator's article: "An Important Step to Industrial Modernization"]

[Text] The second nationwide industrial survey was formally started on 1 January. This is another important survey of China's national situation and strength after the nationwide census, and an important step to quicken the pace of our industrial modernization, which concerns China's economic rehabilitation.

This unprecedented general survey is aimed at finding out the real situation in our country so as to work out a long-term plan for our economic and social development and correct policy decisions, and to create necessary conditions for promoting the urban economic reform and quickening the pace of industrial modernization. There are many tasks in this general survey. Apart from reflecting the situation and full view of industry, the main task will be conducting a general survey of industrial equipment and technology, economic returns, industrial structure, and the ranks of staff and workers. There are altogether 360 targets, more than 500 indexes to professions and trades, and catalogs for more than 5,000 products and equipment. By relating the targets, indexes, and catalogs to each other tens of thousands of figures can be obtained. This will be very important to readjusting investment, reforming the administrative system, achieving a reasonable internal structure of industry and product mix, and improving enterprise management, socioeconomic results, and the quality of the ranks of staff and workers.

The key to success in this general industrial survey lies in the high standards and strict demands of the leaders at various levels to ensure the quality of data acquired in the survey. Unlike the census, since the general industrial survey concerns the interests of various localities, enterprises, and departments, the problems, such as failing to report, making false reports, and covering up the truth, may easily occur, which will lead to inaccuracy of data. For this reason, in the general survey, it is necessary to establish a strict personal responsibility system and implement it conscientiously. The leading cadres at all levels must be responsible for the industrial survey in their localities, departments, and enterprises. It is necessary to adopt effective measures to ensure that the tasks for the industrial survey in town and township enterprises, remote areas, and those weak links where insufficient preparation has been made will be successfully fulfilled as required. In short, all levels must guarantee the quality and accuracy of data and strive to eliminate mistakes at the grass-roots level.

The general industrial survey carried out at the experimental points over the past 2 years shows that this survey is conducive to strengthening basic work of the enterprises, tapping potential and raising economic returns. All localities, departments, and enterprises must combine the survey with reform and make full use of the data in analyzing and studying their superiority and inferiority to improve enterprise management with a clear purpose and strive for more contributions in the new year to the develop productive forces and the increase of economic returns.

MINISTER LISTS MAJOR EVENTS IN TEXTILE INDUSTRY

HK110654 Beijing JINGJI RIBAO in Chinese 6 Jan 86 p 1

[Report: "The Textile Industry Forges Ahead Amid Reform -- Wu Wenying Lists 12 Major Events in 1985"]

[Text] On 3 January, when talking about the excellent situation in the textile industry in 1985, Wu Wenying, minister of the textile industry, listed 12 major events:

1. Simultaneous growth rates have been achieved in economic results and the output value. The situation of repeated decreases in taxes and profits following the two price readjustments for textile products since 1981 has been changed. The total output value of China's textile industry was 87.5 billion yuan and the achieved taxes and profits amounted to 12 billion yuan, increasing by 12 and 14 percent respectively over 1984.
2. In accordance with the decision of the State Council, enterprises have the power to make their own decisions in purchasing cotton. They can buy cotton in the nearby areas according to their needs.
3. A pilot project combining production and trade has been carried out in textile exports. Six combined textile import, export companies were set up in Shanghai, Tianjin, Dalian, Ningbo, Guangzhou, and Fuzhou. The export volume of the six newly established textiles combined import, export companies amounted to some \$50 million.
4. Central leading comrades have affirmed the achievements made in the textile industry over the past 30-odd years and the efforts made by staff and workers on the textile industrial front to upgrade the clothing level of the Chinese people. They also pointed out that compared with the world's advanced level and the needs of current economic development, the textile industry still has a long way to go. The main problems were low productivity and backward equipment. They demanded that effective and practical measures be taken to narrow and eliminate the differences as soon as possible.
5. A full set of equipment that can produce 15,000 tons of short polyester fiber yearly, a key scientific and technological project of the state during the Sixth 5-Year Plan, passed state appraisal on 24 December in the Shanghai petrochemical industry general plant.
6. The six polyester production lines of the No 1 plant of the Yizheng chemical fiber industry joint company were put into trial production. Some 35,000 tons of short polyester fiber can be produced yearly.
7. The Ministry of Textile Industry held the first textile industrial trade fair in Jiaxing, concluding transactions valued at about 400 million yuan.
8. The first phase of the Nantong textile industry museum, China's first local professional museum, was completed and opened to the public.

9. The name of East China Textile Industry College was changed to the China Textile Industry University. Comrade Hu Yaobang inscribed the new name for the university.

10. The Ministry of Textile Industry has decided to officially publish in 1986 the China textile paper, a weekly publication.

11. The Ministry of Textile Industry set up the China part-time training college for political work cadres on the textile industrial front to train in-service political work cadres under 40 years of age who have reached the cultural level of a senior middle school student. The first group included some 9,104 students.

12. The national textile staff and workers lecturing group on ideals gave lectures in Jiangsu, Shanghai, Beijing, and Tianjin in October. The group gave a lecture to central leading comrades at Huairan Hall, Zhongnanhai, on 31 October. Hu Giaomu, Deng Liqun, Hao Jianxiu and other central leading comrades met all the comrades of the group on 14 November.

#### OPERATION PERIOD FOR JOINT VENTURES EXTENDED

HK110626 Shanghai SHIJIE JINGJI DAOBAO in Chinese 30 Dec 85 p 2

[Report: "Period of Operation for Enterprises With Joint Chinese and Foreign Capital Will Be Lengthened From 30 to 50 Years"]

[Text] According to reporters' reports from sources concerned, China is ready to extend the operation period of enterprises with Chinese and foreign capital from 30 to 50 years. This decision mainly involves enterprises with Chinese and foreign capital that require a large sum of investment, have a long cycle for capital return, and have a low profit rate for their funds and enterprises which are equipped with advanced technology or produce competitive, highly-sophisticated products for the international market. Since 1979, China has promulgated 409 laws, statutes, and documents with legal force. Among them, 327 are economic laws and statutes. At present, other economic laws which are under discussion are: the maritime law, the customs law, the tourist law, the law for enterprises with Chinese-foreign cooperation, and the law for enterprises with foreign capital.

#### AGRICULTURE MINISTRY SPOKESMAN ON RURAL ECONOMY

HK101504 Beijing RENMIN RIBAO in Chinese 9 Jan 86 p 1

[Report by Xiao Junxi and Chen Jian: "Prospects for Our Country's Rural Economic Development in the Intermediate State Are Encouraging -- the Gross Rural Social Output Value During the Seventh 5-Year Plan Period Is Projected To Grow by 8.4 Percent Annually"]

[Text] China's gross rural social output value (including that of agriculture, rural industry, communications and transportation, construction, commerce, and service trades) during the Seventh 5-Year Plan period is expected to increase by 8.4 percent annually, with agricultural output value increasing by 6 percent and township enterprises' output value by 13 percent. The net per capita income of agricultural laborers throughout the country will reach 550 yuan by 1990. This is the information about intermediate rural development released by a spokesman of the Ministry of Agriculture, Animal Husbandry, and Fishery to Chinese and foreign reporters at a press conference on 8 January.

The spokesman pointed out: China's gross agricultural output value in 1985 was estimated at 370 billion yuan, a 10 percent increase over 1984. The gross output value of township enterprises was estimated at 230 billion yuan last year, a 35 percent rise over 1984. This great development in the rural economy indicates that rural reform is a success although grain production has dropped and control has been exercised over cotton production.

China's gross grain output during the Seventh 5-Year Plan period is aimed at 900 billion jin by 1990. This calls for the gradual expansion of the scale of production, the improvement of intensive management and productivity, and a persistent increase in the production and income of producers. the following measures will soon be taken: 1) To introduce the method of "using industry to make up for agriculture" in economically developed areas; 2) to stabilize the selling prices of production materials; 3) to reduce contract purchase quotas and to expand market sales in order to increase the peasants' income; 4) to provide low price fertilizers for the peasants who sign contracts for the sale of grain; and 5) to readjust the prices of allocated grain and to implement an overall contract system for transferring grain from other areas. In addition, the state will increase its investment in agriculture to a certain extent and improve the basic facilities for agriculture and the conditions for production in order to strengthen the ability to resist calamities. Counties that played an important role as agricultural commodity bases during the Sixth 5-Year Plan period should continue to do so in the Seventh 5-Year Plan period. Moreover, a number of agricultural commodity bases will be built, which mainly include top quality rice production bases in the middle and lower reaches of the Chang Jiang; top quality wheat production bases in Henan, Anhui, and Hebei Provinces; corn and bean exporting bases in the Northeast; and top quality rice exporting bases in the Zhujiang Delta.

By 1990, the gross output value of township enterprises is expected to reach 460 billion yuan, and these enterprises will be able to employ some 100 million rural laborers, about one-third of the total. In developing township enterprises, the principle of giving "active support, rational planning, correct guidance, and good management" should be observed. With the support provided by the state and by relying on collective accumulation and the accumulation by the peasants, we should do a good job in enterprise consolidation, readjust the structures of products and enterprises, improve enterprises' quality, and promote their healthy development.

The spokesman said that the key to doing a good job in agriculture, animal husbandry, and fishery in 1986 is to persist in profound reforms, to continue to readjust the rural production structure, and to strengthen service work. At the press conference, he answered questions put by Chinese and foreign reporters on the situation and development in the rural areas.

#### OVERSEAS CHINESE 'VITAL' FORCE IN MODERNIZATION

HK100605 Beijing CHINA DAILY in English 10 Jan 86 p 2

[Text] Businesses established by returned overseas Chinese and their relatives have become a vital new force in China's modernization drive.

Since 1979, more than 2,823 such businesses have been set up nationwide, employing more than 76,000 people, the newspaper VOICE OF OVERSEAS CHINESE reported.

The journal said over the past six years, such businesses absorbed more than \$300 million in funds from foreign firms and overseas Chinese. They earned more than 33 million yuan in profits and more than \$100 million in foreign exchange.

Most of the businesses are involved in processing imported materials, assembling supplied parts, electronics, machinery, textiles, handicrafts, food and light industry, and service trades.

Set up in 1980, the Quanzhou Qiaoshu Knitting Mill in Fujian Province was the country's first factory to process imported materials. Over the past five years, it has earned the State more than 10 million Hong Kong dollars.

The Liaoning Huaqiao Cosmetics Factory, jointly operated by the Overseas Chinese Association of Liaoning Province and the General Hospital of the Shenyang Military District, reached a production value of more than 2 million yuan last year. Its skin-cleansing products won a Gold Cup prize for quality from Shenyang City.

Departments in charge of overseas Chinese affairs have encouraged returned Chinese and their relatives to establish joint venture businesses and fill gaps in local economies.

The Shanghai Overseas Chinese Association is preparing to set up a joint venture automobile maintenance service centre with overseas Chinese living in Japan.

The Overseas Chinese Association of Huangpu District, Shanghai, has set up a joint venture factory to produce ornaments in partnership with a foreign firm.

In 1985, the Overseas Chinese Association of Guangdong Province signed 23 letters of intent and 152 contracts and agreements with foreign businessmen attracting \$60 million in foreign investment.

Last year, the association established contact with several overseas Chinese organizations abroad. It also received more than 5,000 overseas Chinese and foreign businessmen from the United States, Canada, Japan, France, the Federal Republic of Germany, Southeast Asia, and Africa as well as Hong Kong and Macao.

#### CHINA DAILY COMMENTATOR ON CONTINUING RURAL REFORM

HK110420 Beijing CHINA DAILY in English 11 Jan 86 p 4

[Commentator's article: "Rural Reform Presses On"]

[Text] The central leadership of the Chinese Communist Party called a conference on the country's rural reform at the end of last year. The Party is now publicizing the main ideas derived from the discussion at the conference among the millions of farmers who are preparing for spring ploughing.

Doing this has all but become established practice since reforms were first introduced to the countryside at a rural work conference at the end of every year to chart the course of development for the year ahead. The party circular is invariably called "Document No. 1, and has become a household word in the nation. This shows how much stress the leadership places on rural development.

Successive "Documents No. 1" have made a great impact in the rural areas, rescuing production from the devastation of the "cultural revolution" and bringing about a profound change in management. Both farm output and the livelihood of the rural masses have improved substantially, thanks to a series of new policies such as raising state procurement prices for farm produce, spreading the household responsibility system and extending the term of the land use contract.

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#### New Phase

Last year's "Document No. 1" ushered in a new phase in rural reforms. The system of mandatory procurement of grain by the state was replaced by the one of negotiating contracts for the state's grain purchases and allowing farmers to sell their surplus grain in the market. It was a major step forward to make production responsive to market demand and aimed at further rationalizing the structure of the country's rural economy.

The party's rural work conference heard encouraging reports at the end of 1985 about the development of commodity production and structural adjustment in the countryside. Township industries saw a continued boom. More new techniques were applied. More important, various forms of voluntary co-operation among farmers emerged.

#### Reason of drop

Although the year did see a minor drop in grain production, mainly due to adverse weather, it was nonetheless the nation's third best year. Moreover, gross output value of rural China and per capita income of its population continued to rise. Grain prices will not increase this year because there are still ample reserves. Quite confident of the viability of its reform and the momentum for change among the masses, the leadership has deemed it unnecessary to alter course.

Last year's drop in grain was also, in part, attributable to a planned reduction of acreage and the dampening effect of higher production costs in some cases. To deal with the latter, some local authorities have gone in for more favourable credit terms and reduced prices of some means of production.

The entire situation in the countryside can only point to the correctness of the country's rural policies and necessity of continued reform. The party's rural work this year, therefore, will focus on consolidation to ensure a sustained, steady and balanced growth. This will pave the way for a still more active rural commodity economy and contribute to the eventual success of the nation's socialist modernization.

Having witnessed many heartening changes in their own lives since agricultural reforms began, the farmers will welcome this year's "Document No. 1" as they have done all along.

#### YANG DEZHI URGES LEGAL KNOWLEDGE PROMOTION IN PLA

OW101010 Beijing XINHUA in English 1002 GMT 10 Jan 86

[Text] Beijing, January 10 (XINHUA) -- Chief of the General Staff of the People's Liberation Army (PLA) Yang Dezhi called for a major effort to spread knowledge of the law among the Armed Forces at an Army training class on the law earlier here this week.

The class, sponsored by the Headquarters of the General Staff, opened Tuesday. A total of 650 leading cadres are being trained by specialists from judicial departments and universities. The first lesson was given by the Minister of Justice Zou Yu on the need to disseminate knowledge of the law.

The work in the Army will contribute to the construction of the legal system nationwide, the modernization of the PLA, and the solidarity of the Army with the government and the people, Yang said.

ANHUI TO INCREASE IMPORTS, JOINT VENTURES

OW120752 Beijing XINHUA in English 0654 GMT 12 Jan 86

[Text] Hefei, January 12 (XINHUA) -- Anhui Province will quadruple the pieces of technical equipment it imports as well as increase its joint ventures and cooperative enterprises in the Seventh Five-Year Plan (1986-1990), a provincial official said today.

Zhang Quohui, director of the Anhui Provincial Foreign Economic Relations and Trade Commission, said the new five-year plan calls for purchase of 2,350 items of technical equipment at a cost of 1.1-1.3 billion U.S. dollars -- more than triple what was spent for 545 items during the last five-year plan period (1981-1985). To achieve this ambitious target, Zhang said, Anhui International Trust and Investment Service Corp. will for the first time sell bonds in foreign countries.

In the past, most enterprises have found that importing technical equipment produces good economic results, according to Zhang. To attract more joint ventures with foreigners, the province will draw up management regulations offering them more favorable terms. Among the projects scheduled to receive the imported technology are an irrigation system in west Anhui and two cement plants in central Anhui.

FUJIAN PROVINCE UNIVERSALIZES PRIMARY EDUCATION

OW110233 Beijing XINHUA in English 0224 GMT 11 Jan 86

[Text] Fuzhou, January 11 (XINHUA) -- Fujian Province in eastern China has universalized primary education, according to the province's educational department.

This means all of the province's 78 counties and cities have met the central government's requirement that at least 95 percent of school-age children have been enrolled. In 1985, more than 97 percent of school-age children in the province were enrolled.

The department attributed Fujian's success to effective measures taken by the provincial authorities, such as improving school facilities, providing more teaching materials and raising teachers' salaries. Special measures have been taken in the countryside to enable more children to go to school. While running full-time schools, local authorities set up half-day and evening schools. In some mountainous areas teachers make a circuit of villages to give lessons.

JIANGXI CIRCULAR ON LIGHTENING PEASANTS' BURDEN

OW091149 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 8 Jan 86

[Excerpts] The provincial CPC Committee and people's government recently issued a circular urging party committees and governments at all levels across the province to responsibly and firmly check the new unhealthy tendencies of irrationally setting quotas, raising funds, and imposing unreasonable charges or fines on peasants.

The circular pointed out: The political and economic situation in the rural areas of our province has been very good in recent years. However, in many localities, the unreasonable burden imposed on the peasants by irrational quotas and charges has far exceeded the capacity of the peasants, and they have strongly complained about this.

The practice of increasing the peasants' burden has become a prominent negative factor harming relations between the party and the masses and between workers and peasants, and hampers further implementation of the party's economic policy in rural areas. This practice, if not checked in good time, will certainly result in even greater harm. Party committees and governments at all levels across the province must, with a high sense of responsibility for the people, place checking of unreasonable quotas and charges high on their agenda.

The circular urges all localities to immediately carry out a comprehensive and thorough review and investigation of the question of lightening the peasants' burden. Relevant provincial organs should take the initiative, and all units concerned should pitch in. They should earnestly review, item by item, all the burdens of the peasants, except for taxes required by law or regulations, including: 1) expenses of public welfare projects apportioned the peasants; 2) raising of funds, contributions, and donations for social events; 3) administrative fees, service charges, fines, and other expenses collected from the peasants by relevant state departments or units in the course of production of exchange of goods; and 4) service charges for economic, technical, or other service provided to the peasants. All these charges should be reviewed and registered, regardless of whether they are justified by previously adopted regulations or not. Charges found not to conform to the guidelines of the circular of the CPC Central Committee and State Council must be terminated immediately.

The circular urges party and government organs at all levels to strictly check on matters concerning the peasants' burden in the future. Whenever peasants are asked to contribute money, rural work departments of party committees at all levels must be consulted in making a decision, regardless of the nature of the undertaking. Rural work departments are responsible for checking on the charges. The various departments or units are not allowed to directly order subordinate organs to collect charges from the peasants. We should regard this as a discipline, and firmly carry it out.

#### AVIATION ROUTE BETWEEN JINAN, QINGDAO RESTORED

SK110115 Jinan Shandong Provincial Service in Mandarin 2300 GMT 9 Jan 86

[Text] After a 25-year suspension, the civil aviation route between Jinan and Qingdao Cities was formally reopened on 9 January, and a ceremony for the restoration was also held. Ma Shizhong, vice governor of the province, attended the ceremony and cut the ribbon for the reopening.

This civil aviation route was opened in 1958. The restoration of the air route will help strengthen contacts between Jinan, the capital of the province, and other cities, and accelerate the pace of conducting cultural and technical exchanges with outside places in order to make the provincial economy prosperous.

At present, Jinan City has regular flight at 1230 on each Thursday. After 15 March the city will have three scheduled flights on Tuesday, Thursday, and Saturday each week. Meanwhile, Jinan City plans to open regular flights between it and Yantai City.

LIAOWANG TALKS WITH NEW MAYOR OF SHENZHEN

HK101211 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 1, 6 Jan 86 pp 31-32

[Article by LIAOWANG reporter He Yunhua: "The Thoughts of the New Mayor of Shenzhen"]

[Excerpts] Shenzhen is a window on modern China and is a sensitive place. Things happening there often attract attention from overseas newspapers and journals which are trying all means to discover the news value of these things so as to observe the trends in China's reforms and opening up.

In September 1985, former Deputy Secretary General Li Hao was appointed mayor of Shenzhen, the special economic zone which has attracted worldwide attention. This personnel change gave rise to various comments among people overseas, and Li Hao became the focus of people's attention. Many people are interested in his past experience, his viewpoints, work style, and his mission, as he was transferred from Beijing to this southern city.

#### Li Hao's Relations With Shenzhen and His Mission

What does Li Hao's appointment mean? Some newspapers and journals in Hong Kong said that "the transfer of a Beijing official south to Shenzhen shows Beijing's efforts to maintain the existence of the special economic zone." At an interview with Li Hao, this reporter asked him to comment on this. He smiled and said: "I am not a so-called 'Beijing official,' but it is true that we will make efforts to maintain the special economic zone. The special economic zone not only must be maintained, but also must be developed further. The special economic zone should only be a success and must not end in failure. As long as we firmly implement the opening up policy formulated by the central leadership, properly carry out reforms, and win more support from the whole country, we will be able to make the special economic zone a success. We are confident of this."

The new 58-year-old mayor is tall and sturdy. He is amiable, warm, and sincere, and often laughs heartily when talking with people. He is sober-minded and very thoughtful, like a scholar, and he is a dynamic and sharp-witted person. He is an activist. He works in an orderly and efficient way. He is also respectful to journalists.

Li Hao was born in Dianbai County, Guangdong Province. He passed the entrance examination and entered Zhongshan University in 1946, and joined the CPC underground organization there. One year before he could graduate from the university, he was sent by the party organization to work in a guerrilla area in western Guangdong and eastern Guangxi. After liberation, he participated in the land reform. Then he was transferred to work in a county government. He was transferred to work in Beijing in 1953 and successively worked with the State Planning Commission, the State Economic Commission, the State Construction Commission, and the General Office of the State Council. He has been engaged in economic work in these central leading departments the whole time. While working in Beijing for more than 20 years, he not only handled practical work, but also participated in the study and formulation of economic policies and theories. He often attended various national academic activities sponsored by economic theoretical circles. Since 1979, Li Hao has accompanied leaders of the State Council to make inspection tours in various areas of the country and has participated in the work of formulating important economic policies. Some people say that he is an expert in drafting policy documents. He has been a main participant in the drafting of the important policy documents concerning the establishment of the special economic zones.

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Li Hao's previous jobs were closely related to Shenzhen. In 1979, he participated in the study and formulation of the special policies and flexible measures that the CPC central leadership and the State Council would grant to Guangdong and Fujian Provinces and participated in the preparatory work for the establishment of the special economic zones. He was a member of the investigation group the central authorities sent to carry out an on-the-spot survey in Baoan County (the town of Shenzhen was previously in the jurisdiction of Baoan County). In 1980 and 1981, he attended the second and third work conferences on the special arrangements for Guangdong and Fujian. Afterward, he accompanied central leaders to make a number of inspection trips to Shenzhen. In September 1985, at the Guangdong Provincial People's Congress, Li Hao was elected Guangdong provincial vice governor and was appointed mayor of Shenzhen.

#### Begin With Investigations, Smooth Out Internal and External Relations, and Raise the Management Level of the Special Economic Zone

As Li Hao returned to his home of Guangdong to lead the construction of a special economic zone, people said that he was to shoulder an arduous and important mission. When he took the leading post in the special economic zone, the special economic zone had just encountered some difficulties and was at a turning point. The past year was an eventful year for the Shenzhen Special Economic Zone. Its difficulties in the fields of credit and import and export trade were greater than ever before. There were all kinds of comments on the special economic zone at home and abroad. Shortly after Li Hao took office in Shenzhen, some reporters asked him for his opinions on those comments. He answered in unequivocal terms: It is a good thing that people have commented a great deal on the special economic zone. This shows that many people are concerned with its development and that the position of the Shenzhen Special Economic Zone has become more important and that Shenzhen has a remarkable influence at home and abroad. He added: We treat all comments on Shenzhen in a positive way. All kinds of critical opinions, no matter how harsh they are, will be an effective motivation for leading cadres in the special economic zone. They will modestly listen to various critical opinions so as to better draw on collective wisdom and absorb all useful ideas and to keep themselves sober-minded.

When mentioning Shenzhen's relations with other parts of the country, Li Hao has a clear viewpoint. He said: The hope of Shenzhen's prosperity rests on the its efforts to solicit support from other domestic areas and offer services to the whole country. On the other hand, making use of the special economic zone and supporting the special economic zone will also be beneficial to the modernization construction in interior areas and will be in the interests of their economic development. In fact, he pointed out, there are broad prospects for the development of cooperation in all fields between Shenzhen and interior areas, including joint production, technical cooperation, information exchanges, and trade.

#### Strengthen Economic and Technological Cooperation Between Shenzhen and Hong Kong; Shenzhen Must Prevent Itself From Competing With Hong Kong in the Fields Where Hong Kong's Strong Points Lie and Should Mainly Develop the Fields Which Are the Weak Links in Hong Kong's Economy

Li Hao told this reporter that Shenzhen not only should smooth out its relations with other domestic areas so as to seek a powerful backup base, but should also study the trends in Hong Kong and international markets.

Li Hao said: In order to smooth out external relations, the primary thing is to properly handle the relationship of economic and technological cooperation between Shenzhen and Hong Kong. The development of Hong Kong-Shenzhen cooperation will not only promote Shenzhen's development, but will also be favorable to Hong Kong's prosperity and stability.

Shenzhen should learn from Hong Kong's successful experience in economic development, but should not simply follow the same road that Hong Kong has traversed. The two areas should learn from each other's strong points to set off their own weaknesses and should establish relations marked by mutual reliance, mutual support, and development in a well coordinated manner. There should not be the case of one replacing the other. Henceforth, the Shenzhen Special Economic Zone will attract more foreign investment and Hong Kong people's investment to develop modern industry. When planning the development of various industries in Shenzhen, the special economic zone will not try to compete with Hong Kong in the fields where Hong Kong's strong points lie, but will give priority to developing those industries which are weak in Hong Kong and thus make them the strong points of Shenzhen and the rest of China.

At present, enterprises in both places should be encouraged to join hands in developing new products by making use of advanced foreign technologies. In the long run, Shenzhen should continuously strengthen its ability to develop new technologies and conduct scientific research so as to catch up with and surpass Hong Kong in the use of new technologies as soon as possible. In handling relations with Hong Kong businessmen and business institutions, Shenzhen will make efforts to expand both sides common ground and to reduce differences and contradictions.

Li Hao said: Then Shenzhen and Hong Kong will be able to take the leading position and to show the strongest competitive power among the "four small tigers" in Asia. He said that he will do his best to promote all-round cooperation between Shenzhen and Hong Kong. At the same time, he hopes that Hong Kong people and overseas people will show concern for the development of Shenzhen and will support the Shenzhen Special Economic Zone. He reiterated that the trial running of special economic zones is an important component part of China's policy of opening up to the outside world.

The running of special economic zones is a policy that will remain unchanged for a long time. It is true that Shenzhen is currently encountering some temporary difficulties, and the central authorities concerned are studying ways to settle the contradictions between the general policies for the whole country and the special policies for the special economic zones and to solve various specific problems in the special economic zone.

The Shenzhen Special Economic Zone has now entered a new stage in its development. This situation requires us to rapidly establish a new and sound information system, policy decisionmaking system, planning and surveying system, and enforcement and supervisory system, so as to make good use of legal, economic, and administrative means to ensure the proper management of macroeconomic and microeconomic activities. This will enable the special economic zone to create a good investment environment.

I. 13 Jan 86

P R C R E G I O N A L A F F A I R S  
SOUTHWEST REGION

Q 1

XIZANG PLA FORUM PRAISES SQUADRON FOR RELIEF WORK

HK101226 Lhasa Xizang Regional Service in Mandarin 1130 GMT 6 Jan 86

[Excerpt] On the afternoon of 5 January, the Xizang Military District held a forum to congratulate the Black Eagle Squadron on successfully accomplishing the air transport task to Medog and to welcome the successful return of the crew members. Attending the forum were responsible comrades of the regional party, government, and Army, including Wu Jinghua, Rайди, Jiang Hongquan, Tудао Доже, and Zhang Shaosong.

At the forum, on behalf of the organs and PLA units of the Xizang Military District, Commander Jiang Hongquan extended heartfelt thanks and congratulations to all crew members of the Black Eagle Squadron who had successfully accomplished the air transport task to Medog. He praised the squadron crew members for carrying forward the revolutionary spirit of fearing neither hardship nor death in the course of air transport, overcoming unimaginable difficulties, and successfully accomplishing their air transport task.

Political Commissar Zhang Shaosong gave the comrades at the forum a detailed report on the carrying out of the air transport task to Medog by the Black Eagle Squadron. On behalf of the Army and people in Xizang, he asked the Chengdu Air Force to award all crew members of the Black Eagle Squadron a citation for merit.

On receiving orders on 20 December last year, the Black Eagle Squadron vigorously plunged into the urgent air transport task. In coordination and cooperation with each other, they did not rest at festivals and transported materials to every border defense point and village. In some 10 days, the air transport detachments flew some 70 sorties to transport some 80 tons of materials of various kinds to Medog. This relief work in Medog had profound significance in politics, military affairs, and border defense building.

Wu Jinghua, secretary of the regional CPC Committee and political commissar of the Xizang Military District, spoke at the forum. He wholeheartedly thanked the crew members of the Black Eagle Squadron for the assistance they gave to the army and people in Xizang. He also praised the Chengdu Air Force units for contributing to the building of a new united, rich, and civilized Xizang.

On behalf of all crew members, (Xiong Tihui), commander of the Chengdu Air Force Transport Regiment, also spoke at the forum. He declared: We must continue to carry forward the revolutionary spirit of hard struggle and complete air transport of relief materials despite all kinds of difficulties and hardships. We must live up to the expectations of the party and people.

In addition, on 5 January, accompanied by responsible comrades of the regional party, government, and army, including Wu Jinghua, Rайди, Jiang Hongquan, Tудао Доже, and Zhang Shaosong, Hou Shujun, commander of the Air Force of the Chengdu Military Region, received the relief work personnel to Medog and encouraged them to make sustained and redoubled efforts to make new contributions toward the building of a new united, rich, and civilized Xizang.

XIZANG MEETING NEGATES CULTURAL REVOLUTION

HK090253 Lhasa Xizang Regional Service in Mandarin 1130 GMT 7 Jan 86

[Text] According to XIZANG RIBAO, the Ali Prefectural CPC Committee recently held an enlarged meeting to earnestly convey and implement the spirit of the three central conferences and of the enlarged meeting of the Standing Committee of the regional CPC Committee, so as to continue to thoroughly negate the Cultural Revolution; to further eradicate leftist influence; to correct the ideological line; to enhance revolutionary vigor; and to march forward.

(Da Wa Gen Ba), deputy secretary of the prefectoral CPC Committee, delivered a speech at the meeting. He said that after bringing order out of chaos over the past few years, party members, cadres, and the broad masses in the prefecture have raised their consciousness. However, leftist ideas and acts still exist in Ali Prefecture today. As the prefecture failed to hold an extensive and in-depth discussion on the criteria of truth in the past, the erroneous influence of two whatevers has not yet been thoroughly eradicated. The distinction between right and wrong has yet to be made clearly. In party rectification, the prefecture failed to conduct thorough education on negating the Cultural Revolution and failed to thoroughly eradicate leftist influence. Leftist doings can now be found, particularly in nationality, united front, religious, organizational, propaganda, and economic work. Therefore, we must pay serious attention to this ideologically and eradicate leftist influence in our action.

At the meeting, while studying documents and grasping their essence, it is necessary to cite leftist doings; to comment on the harmfulness of leftism; to discover the cause of leftism; and to formulate measures to fight against leftism, so as to resolutely and thoroughly eradicate leftism. We must further correct the ideological line, enhance our revolutionary vigor, unite and fight, and create a good situation in all fields in Ali.

#### NUMBER OF TIBETANS RETURNING TO XIZANG INCREASES

HK090531 Lhasa Xizang Regional Service in Mandarin 1130 GMT 8 Jan 86

[Excerpts] Following the implementation of the party's policy on Tibetans living abroad, more and more Tibetans living abroad have come to visit their relatives and friends or settle down. In 1985, the regional office for receiving returned Tibetans received a total of 936 Tibetans living abroad, of whom 817 came to visit their relatives and friends and 119 came to settle in the country. The number of Tibetans settling down in the country in 1985 increased by 100 percent over that in 1984. Among them, there were living buddhas, lamas, teachers, students, workers, peasants, merchants, and hawkers. They came from India, Nepal, Bhutan, Sikim, Switzerland, the United States, Britain, and Canada.

The people's government has adopted the following measures to help Tibetans who have come to settle down.

1. Issuing of living and settling down allowances according to their practical needs.
2. Properly solving their housing problems.
3. Placing those who have professional skills and working ability in suitable jobs.
4. Letting old and ailing people spend their late years peacefully at home and encouraging them to contribute actively to the building of a new Xizang.

NEI MONGGOL HOLDS FORUM ON OLD BASE DEVELOPMENT

SK100544 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 8 Jan 86

[Excerpts] The autonomous region held a work forum in Hohhot City on 7 January on developing the areas throughout the region which were used as bases during the revolutionary wars. The forum is aimed at discussing the issue of accelerating the pace of carrying out economic construction in these old base areas in order to change their outlook as soon as possible.

Attending the opening ceremony of the forum were leading comrades of the regional party and government organs, including Zhou Hui, Bu He, Tatubagen, Tian Congming, Ma Zhenduo, and Bai Junqing.

Attending the forum and hearing the speech given by Comrade Zhou Hui and the report given by Comrade Bai Junqing on behalf of the regional CPC Committee and the regional people's government were more than 110 representatives from 6 leagues and cities, 22 old revolutionary bases, and 25 banners and counties.

In his report, Comrade Bai Junqing pointed out: Our region has 22 old revolutionary banners and counties that account for 21.8 percent of the total number of banners and counties throughout the region. Such a large number of old revolutionary bases reflects the glory and wealth of the region.

Since the founding of the PRC, we have attached great importance to the development and construction of these old base areas and also scored concrete achievements in this regard. Hereafter, we should regard this work as a strategy for making progress in the region as a whole, sum up our experiences gained, and map out feasible measures to achieve a leap forward in development.

Comrade Bai Junqing said: To fulfill this task, first of all, we should straighten out our ideology and give full consideration to the particularities of these old base areas. To make a success in the work of these old base areas, we should also manage and use well the special funds allocated for these areas and overcome the problems of indulging in egalitarianism in fund distribution and favoritism, making rigid distinctions between departments and areas in fund usage, and paying no attention to how the funds are used. Therefore, we should conduct great reforms in the following major aspects:

1. We should establish a responsibility system at all levels among the links of fund distribution and usage in order to manage and use the limited funds in a down-to-earth manner.
2. We should conduct reforms in setting up the purposes of funds usage on the basis of developing production.
3. We should conduct reforms in the ways and means of investment.

HEILONGJIANG CIRCULAR ON STUDYING HU YAOBANG'S SPEECH

SK120505 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 11 Jan 86

[Text] On 11 January, the provincial CPC Committee issued a circular calling on CPC committees at all levels to conscientiously study and implement the speeches made by Comrade Hu Yaobang and other leading comrades of the central authorities at meetings of cadres of central organs held by the Secretariat of the CPC Central Committee. The circular notes:

1. CPC committees at all levels should pay attention to studying and implementing the speeches made by leading comrades of the central authorities. Leading bodies at all levels should take the lead in study. Principal responsible comrades should personally participate in and give guidance to the study, and enhance their understanding of the importance in straightening out party style.
2. Organs at the provincial level should take the lead in studying and implementing the guidelines of the speeches by leading comrades of the central authorities, and should set an example for the whole province in raising the efficiency of the study, strengthening party spirit and straightening out party style. Leading party groups and CPC committees of various provincial-level organs should draw up their specific measures in line with this requirement, and should study and implement the speeches simultaneously.
3. Leading cadres at all levels should set an example in straightening out party style in order to promote improvements in party style and the social atmosphere.
4. In straightening out party style, we should proceed from correcting the unhealthy trends in the six aspects revealed in the documents of the General Offices of the CPC Central Committee and the State Council concerning serious problems in the current office work style, and should actually achieve results in this regard by assigning each level to supervise the work of the next lower level and by instituting a strict responsibility system.
5. We should thoroughly investigate and deal with major and appalling cases, should have the courage to surmount all obstacles, and should handle cases impartially. Those who have committed mistakes, no matter which organizations they are involved in and how high they rank, must be dealt with resolutely. Those leading cadres who actually have serious problems in their work style but refuse to correct them, who exercise ineffective leadership over the correction of unhealthy trends, and who are actually incompetent at their jobs should be dismissed from their posts or transferred to other posts.
6. All localities and departments should report to the provincial CPC Committee their situation and problems in studying and implementing the speeches of leading comrades of the central authorities by the end of January.

I. 13 Jan 86

PRC REGIONAL AFFAIRS  
NORTHWEST REGION

T 1

QINGHAI COMMENTARY ON UNDERSTANDING PARTY PROGRAM

HK110527 Xining Qinghai Provincial Service in Mandarin 2330 GMT 7 Jan 86

[Station commentary: "Strive To Enhance Party Members' Understanding of the Party's Fundamental Program"]

[Text] In accordance with the arrangements of the CPC Central Committee, party rectification work at the village level in the rural and pastoral areas in our province will soon be started. This party rectification is of important significance for promoting the building of material and spiritual civilization in the rural and pastoral areas in our province and pushing forward and guaranteeing the deepgoing and healthy development of reform and the further prosperity of the economy in the rural and pastoral areas.

Since the 3d Plenary Session of the 11th CPC Central Committee, party organizations and party members in the rural and pastoral areas in our province have made vigorous contributions toward creating a new situation there. The great majority of party organizations and party members are good or relatively good. However, some weak and lax party organizations indeed exist and some party members and party-member cadres are seriously individualist, seek private gain at public expense, take advantage of their power to pursue private ends, seriously violate law and discipline, and have even degenerated, deteriorated, and taken the criminal road.

Therefore, the major task of this party rectification in the rural and pastoral areas is to conduct deepgoing education in the party's fundamental program for the party members in the rural and pastoral areas to help them enhance their awareness, strengthen party spirit, and fundamentally correct their work style so that they can give play to their vanguard and exemplary role in the course of building new socialist rural and pastoral areas, leading the masses to persistently regard public ownership as the main factor, and getting rich together.

In the current new historical period, rural and pastoral party members' adherence to the party's fundamental program and wholehearted service for the people must be specifically embodied in vigorously leading the peasants and herdsmen to get rich through hard work, to abide by discipline and law, to devote themselves to the building of two civilizations in the rural and pastoral areas, and to struggle hard to make our country rich and powerful and the people well-off.

In the practice of reform in the rural and pastoral areas, a large number of good party members have emerged in our province. They have correctly handled the relationship between their individual interests and the interests of the collective and state and tried in every possible way to make relatively great contributions toward changing the local poverty and backwardness and making society rich.

In the course of party rectification, all places must be good at discovering such good party members and party-member cadres and commend them so as to encourage the other party members to strengthen party spirit and to lead the masses to persistently regard public ownership as the main factor and to take the road of getting rich together.

I. 13 Jan 86

CHINA  
HONG KONG MEDIA ON CHINA

W 1

'QUESTIONABLE BUSINESS' OF HU, ZHAO SONS DENIED

HK120054 Hong Kong Commercial Radio in English 0000 GMT 12 Jan 86

[Text] China has rejected reports that the sons of two top leaders are engaged in questionable business activities. The denial comes as the country launched a massive new anticorruption drive aimed at leading officials. Helene Chung reports:

[Begin recording] Responding to reports that the sons of Communist Party head Hu Yaobang and Prime Minister Zhao Ziyang are engaged in commercial impropriety, the Chinese Foreign Ministry condemned the reports as pure fabrication not worth refuting.

The usually well-connected Hong Kong monthly CHENG MING reports that Hu Deping and Zhao Dajun are engaged in doubtful business practices in China's special economic zone of Shenzhen.

The unusual Foreign Ministry denial of such an allegation comes at the same time as the Chinese Communist Party has launched a new anticorruption campaign aimed to wipe out the growing abuse of China's economic reforms. In September, veteran Chinese economist Chen Yun warned against cadres' children swarming into business. Urging caution in China's open-door policy and economic reforms, he said that the practice of putting money above all else is destroying the party and the country. [end recording]

TA KUNG PAO VIEWS INCREASING UNHEALTHY TRENDS

HK101523 Hong Kong TA KUNG PAO in Chinese 9 Jan 86 p 3

["Special Feature" by Cheng Yuan: "Some Issues Regarding the Unhealthy Trends on the Mainland"]

[Text] Despite repeated attempts to stop them, unchecked unhealthy trends in some areas and departments in the interior have become the major enemy of China's four modernizations drive. Recently, prompted by the CPC's official newspaper RENMIN RIBAO, while positively reporting various important achievements made in the last year of the Sixth 5-Year Plan, the Chinese press has prominently and consecutively carried reports lashing out at the unhealthy trends in the party and government organizations as "corrupt phenomena," exposing a number of sensational fraud cases and bringing to justice some people who have committed serious economic crimes. These reports have not only demonstrated the CPC's determination to strive to improve the party's style and social ethics, but have also changed the Chinese media's image of reporting only what is good while concealing what is unpleasant, thus presenting a new face.

A Small Number of Senior Cadres Commit All Kinds of Outrages

Obviously, it is biased and "not seeing the forest for the trees" that some people attribute the long-standing unhealthy trends and economic criminal activities as the consequence of the policy of opening up to the outside world and invigorating the domestic economy. Undoubtedly, opening up the national gate and invigorating the economy have brought some negative influences. However, a host of facts has proved that the unhealthy trends originated from the havoc and pernicious influence of the 10-year "Cultural Revolution." The root of troubles planted by the "gang of four" and affecting two generations cannot be eliminated in a short period of time. Striking at the root of the evil, the CPC has attacked the unhealthy trends by stressing straightening out the party's work style and getting rid of "the people of three categories" through party rectification. If China takes the road or retrogression to prevent the corrosive influence of bourgeois ideology, it would have no future. It would also be an underestimation of the resistance capability of the vast numbers of cadres, as socialist China is not, after all, a paradise for adventurers and black sheep are few in number.

If all this is so, then why are many unhealthy trends and economic crimes often related to opening up to the outside world and invigorating the domestic economy? According to what I saw and heard in the interior, there are mainly two reasons: On the one hand, there are some lawless people, including a small number of leading cadres, who take advantage of carrying out reform and opening up to the outside world to abuse power to seek personal gains, engage in graft, embezzlement, speculation, and profiteering, and infringe upon the national interests. On the other hand, I also heard of many uncontrollable cases due to equivocal policies and unproper measures. The so-called cases where "when the upper level enacts a policy, the grass roots think of a countermeasure" mostly belong to this category. However, some of the cases are interrelated and cannot be classified. Here I will cite several examples in the hope of arousing the attention of departments concerned in the interior to make improvements so as to ensure the healthier development of reform and opening up to the outside world.

Many people interested in China's affairs believe that the most harmful of all the unhealthy trends on the mainland is that people from the industrial, agricultural, military, academic, and party circles are vying with each other to do business. The rise of the trend of doing business is related to the assessment of the national economy and inappropriate propaganda. For example, the main problem confronting China today is that the productive forces are not developed and social wealth is not sufficient, as repeatedly stressed by Deng Xiaoping. However, there are still some hotheaded people. In the last 2 years, what people read in newspapers and what some localities propagate only seems to be "difficulties in selling grain and pigs." On the relations between supply and demand, people tend to "households which can earn 10,000 yuan per year" and "capable people," regardless of how they earn their money. As a result, various "briefcase companies" and "brokers" spring up at opportune moments in both rural and urban areas and government organizations and troops. At present, departments concerned in China are straightening things out. It is hoped that Chinese economists will draw lessons from both the positive and negative experiences to do a good job in the reform and avoid "the disorder that occurs immediately after decontrol" and "the rigidity that occurs immediately after control."

#### Blackmailing People Everywhere

Another unhealthy trend that generally repulses people is that under the signboard of carrying out structural reform and expanding decision-making power, departments at every level solicit contributions and blackmail people everywhere. Many people who travel and visit relatives and friends in China may have noticed the extra burdens on factories, enterprises, and party and government organizations in urban areas now are becoming increasingly heavier. They have to finance the building of roads and schools, the installation of telephones, the laying of water and gas pipes, and the beautification of the urban environment. If they do not invite "water and electricity tyrants" to dinner and send them gifts, they will have a difficult time or even have their supplies cut off. As the center of attention, some large enterprises and "wealthy households" suffer more untold miseries. In order to bear these extra burdens, some organizations and enterprises find other ways of earning money one after the other, or even stoop to deception. Though euphemistically described as reforms, in fact this is tantamount to undermining the foundation of the state and is bad. Practicing fraud is certainly wrong, but these units have indescribable sorrow. In the past, the state supervised too many things and monopolized everything, and this must be rectified. However, as for how to strictly forbid multiple leadership and the indiscriminate levy of contributions, I think that it is necessary to not only conduct education but also to enact legislation in explicit terms, in order to leave blackmailers no loopholes.

Because of a lack of overall planning or a lack of specific measures in the presence of plans and acting on impulse or making frequent changes in policies, the development of unhealthy trends is encouraged. For instance the wage reform was originally planned to be carried out in conjunction with the decontrol of commodity prices. However, in many localities wages were not readjusted until long after the increase of commodity prices. Therefore, some organizations and enterprises tried by every means to increase extra allowances and bonuses. Also, the control over the distribution of bonuses was once excessively removed and then excessively tightened. As it is much easier to remove than regain control, in order to maintain the enthusiasm of workers, some factories substituted material objects for bonuses. Although cases such as these can be found very often, nothing can be done about it. It seems that it is imperative to ensure that every order is executed without fail and proceed in light of actual conditions to help grass-roots units solve their real problems.

#### Rigorously Implement Consolidation From Top to Bottom

China's reform and the policy of opening up to the outside world have brought about an unprecedented upsurge in the four modernizations drive. It is not at all surprising that some mistakes and unhealthy trends have emerged in reform and opening up to the outside world. We should only forge ahead and not regress. The central authorities and local governments have recently adopted a series of effective measures aimed at scoring results in 6 months to 1 year. I believe that as long as public opinion is aroused, education is conducted, and the law is enforced, in the near future a fundamental improvement in the party's work style and social ethics will surely be realized!

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14 January 1986

